FY2018

Chicago Public Media, Inc.

CONSOLIDATED FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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Independent Auditor's Report

To the Board of Directors
Chicago Public Media, Inc.

We have audited the accompanying consolidated financial statements of Chicago Public Media, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018 and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit 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 opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chicago Public Media, Inc. as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Chicago Public Media, Inc. as of June 30, 2017 were audited by other auditors, whose report dated November 17, 2017 expressed an unqualified opinion on those statements.

October 2, 2018

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Consolidated Statements of Financial Position

June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 8,410,649	$ 6,415,135
Pledges receivable, net of discount	4,079,577	1,066,444
Grants receivable	857,710	925,000
Underwriting and other receivables, net of allowance	1,537,882	1,183,351
Prepaid expenses	224,235	285,007
Investments	37,704,510	33,617,835
Property and equipment, net	13,151,918	13,732,215
Frequency rights and other intangible assets	1,360,513	1,360,513
Asset under swap agreement	368,585	-
	$ 67,695,579	$ 58,585,500
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 417,943	$ 380,526
Accrued expenses	1,668,833	1,490,836
Deferred revenue	263,246	43,239
Promissory note payable	944,422	1,111,090
Revenue bonds payable, net of issuance costs	21,806,754	21,798,081
Liability under swap agreement	-	216,378
	25,101,198	25,040,150
Net assets:		
Unrestricted	36,600,698	31,786,465
Temporarily restricted	4,993,683	1,758,885
Permanently restricted	1,000,000	-
	42,594,381	33,545,350
	$ 67,695,579	$ 58,585,500

See notes to consolidated financial statements.

Consolidated Statements of Activities

Years Ended June 30, 2018 and 2017

	2018				2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenues							
Membership contributions	$ 11,681,806	$ -	$ -	$ 11,681,806	$ 11,228,276	$ -	$ 11,228,276
Corporation for Public Broadcasting - Community Service Grant	953,669	339,091	-	1,292,760	1,051,864	370,921	1,422,785
Contributions and other grants	1,777,290	6,741,285	1,000,000	9,518,575	3,082,177	1,001,598	4,083,775
Program underwriting	6,505,568	-	-	6,505,568	5,917,074	-	5,917,074
In-kind services and contributions	1,482,160	-	-	1,482,160	1,399,096	-	1,399,096
Special events (net of expenses of $486,486 and $191,270 for 2018 and 2017, respectively)	613,184	-	-	613,184	72,405	-	72,405
Production, rental, and other revenue	2,300,732	-	-	2,300,732	1,763,478	-	1,763,478
	25,314,409	7,080,376	1,000,000	33,394,785	24,514,370	1,372,519	25,886,889
Net assets released from restrictions	3,845,672	(3,845,672)	-	-	3,024,258	(3,024,258)	-
	29,160,081	3,234,704	1,000,000	33,394,785	27,538,628	(1,651,739)	25,886,889
Operating expenses							
Program services:							
Content creation	12,810,873	-	-	12,810,873	11,643,349	-	11,643,349
Content distribution	2,995,278	-	-	2,995,278	3,532,260	-	3,532,260
Community & audience engagement	3,078,145	-	-	3,078,145	1,721,121	-	1,721,121
Total Program services	18,884,296	-	-	18,884,296	16,896,730	-	16,896,730
Supporting services:							
Management and general	1,785,146	-	-	1,785,146	1,878,879	-	1,878,879
Fundraising	6,720,223	-	-	6,720,223	6,398,164	-	6,398,164
Total Supporting services	8,505,369	-	-	8,505,369	8,277,043	-	8,277,043
Total Operating expenses	27,389,665	-	-	27,389,665	25,173,774	-	25,173,774
Increase (Decrease) in net assets from operations	1,770,416	3,234,704	1,000,000	6,005,120	2,364,854	(1,651,739)	713,115
Nonoperating Activities							
Investment income, net of investment fees	2,458,855	95	-	2,458,949	2,574,628	-	2,574,628
Change in value of interest rate swap agreements	584,963	-	-	584,963	425,432	-	425,432
Fair market value adjustment on land	-	-	-	-	(122,241)	-	(122,241)
Write-off of other intangible assets					(34,901)		(34,901)
Loss on disposal of assets	-	-	-	-	(82,998)	-	(82,998)
	3,043,818	95	-	3,043,912	2,759,920	-	2,759,920
Increase (Decrease) in net assets	4,814,234	3,234,799	1,000,000	9,049,032	5,124,774	(1,651,739)	3,473,035
Net assets:							
Beginning of year	31,786,465	1,758,885	-	33,545,350	26,661,691	3,410,624	30,072,315
End of year	$ 36,600,698	$ 4,993,683	$ 1,000,000	$ 42,594,381	$ 31,786,465	$ 1,758,885	$ 33,545,350

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	$ 9,049,032	$ 3,473,035
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,001,898	1,001,793
Change in value of land held for resale	-	122,241
Loss on disposal of assets	-	117,899
Net realized and unrealized gain on investments	(2,181,424)	(2,301,818)
Net cash provided for permenantly restricted endowments	1,000,000	-
Change in value of interest rate swap agreements	(584,963)	(425,432)
Changes in:		
Underwriting and other receivables	(354,531)	(157,431)
Grants receivable	67,290	693,334
Pledges receivable	(3,013,133)	8,762
Prepaid expenses	60,773	1,937
Accounts payable	37,417	(343,953)
Accrued expenses	177,997	33,961
Deferred revenue	220,007	(123,152)
Net cash and cash equivalents provided by operating activities	5,480,363	2,101,176
Cash flows from investing activities:		
Capital expenditures	(430,296)	(481,774)
Purchases of investments	(13,655,776)	(7,441,602)
Purchase of permanently restricted endowments	(1,000,000)	-
Sales of investments	11,767,890	7,171,572
Net cash and cash equivalents used in investing activities	(3,318,182)	(751,804)
Cash flows from financing activities:		
Principal payments on promissory note payable	(166,668)	(166,668)
Net cash and cash equivalents used in financing activities	(166,668)	(166,668)
Increase in cash and cash equivalents	1,995,514	1,182,703
Cash and cash equivalents:		
Beginning of year	6,415,135	5,232,432
End of year	$ 8,410,649	$ 6,415,135
Supplemental disclosure of cash flow information:		
Interest paid	$ 676,657	$ 627,629

See notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Originally established as an extension service of the Chicago Board of Education, WBEZ first signed on in 1943. For most of its early years, the station only broadcast educational instruction, operating during the school year on weekdays while Chicago Public Schools were in session. In 1970, the station became one of the first charter member stations of National Public Radio (NPR). In 1990, Chicago Public Media, Inc. acquired the WBEZ license from the Board of Education as an independent community licensee and nonprofit WBEZ Alliance, Inc.

In April 2010, Chicago Public Media's Board of Directors adopted the name "Chicago Public Media" in order to become a better recognized and stronger leader among public media creators and distributors, while aiming to continue the creation of challenging, informative and emotional media experiences that enhance civic life and improve community health by further deepening and growing our existing portfolio of public media brands.

Today, Chicago Public Media serves the public interest by producing and delivering diverse, compelling content of multiple viewpoints and expression. Chicago Public Media broadcasts its service on four noncommercial FM radio stations: WBEZ 91.5 FM in Chicago, WBEQ 90.7 FM in Morris, 91.7 FM (W219CD) in Elgin, and WBEK 91.1 FM in Kankakee; via WBEZ.org, mobile apps and podcasts; and in live events that generate conversations across communities. In addition to local programming, Chicago Public Media produces *Sounds Opinions,* and *Wait, Wait ... Don't Tell Me!* (a co-production with NPR) for national distribution. In 2005, Chicago Public Media launched a new media service, Vocalo, which is broadcast on WBEW 89.5 FM in Chesterton, Indiana, and on 91.1 FM (W216CL) in Chicago; online at Vocalo.org; and syndicated on multiple stations around Chicagoland.

Chicago Public Media occupies facilities on property leased under a long-term arrangement with Navy Pier, Inc., an Illinois nonprofit corporation at Navy Pier in Chicago. The facilities and improvements were financed, in part, by proceeds from the issuance of $22,000,000 in revenue bonds.

Chicago Public Media, Inc. formed CPR Communications Services, LLC (CPR) in 2008 for the sole purpose of purchasing property for the construction of a new radio tower in Porter County, Indiana. In July 2011, Media Chicago, LLC (Media) was formed to invest in and develop new media and other property, to hold title property and to collect income there for the exclusive benefit of its sole member, Chicago Public Media, Inc. Chicago Public Media, Inc., CPR and Media Chicago, LLC are collectively referred to herein as the Organization.

The Organization is a Section 501(c)(3) entity, which is exempt from federal income tax under Section 501(a) of the Internal Revenue Code, and is exempt from federal and state income taxes (under applicable state law) except for taxes on unrelated business income. CPR and Media are disregarded entities for tax purposes.

A summary of significant accounting policies is as follows:

Accounting policies: The Organization follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities and cash flows. References to accounting principles generally accepted in the United States of America (U.S. GAAP) in these footnotes are to the FASB Accounting Standards Codification™, sometimes referred to as the Codification or ASC. Management also follows the Corporation for Public Broadcasting's publication, Principles of Accounting and Financial Reporting for Public Telecommunication Entities, which follows U.S. GAAP and promotes consistency in financial reporting among public broadcasting entities.

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Basis of presentation: The Organization follows the accounting guidance for financial statements of nonprofit organizations, which requires that net assets and related revenue, expenses, gains and losses be classified into three classes of net assets - unrestricted, temporarily restricted and permanently restricted, based upon the existence or absence of donor-imposed restrictions. These net asset classes are described as follows:

Unrestricted: Those resources with no donor-imposed restrictions.

Temporarily restricted: Temporarily restricted net assets arise from contributions whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled by actions of the Organization pursuant to those restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are transferred to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted: Permanently restricted net assets are subject to the restrictions of gift instruments requiring the principal to be invested in perpetuity and that only the income may be used.

Principles of consolidation: The consolidated financial statements include the activity of Chicago Public Media, Inc., CPR and Media. All significant intercompany transactions have been eliminated upon consolidation.

Revenue: Membership and other contributions are recorded as receivables and recognized as revenue when pledged. If not pledged, membership and other contributions are recognized as revenue when received in cash. Grants and donations restricted for a particular purpose or project are recorded as temporarily or permanently restricted revenue when awarded and are transferred to the unrestricted fund when the provisions of the grants and donations are satisfied (net assets released upon meeting restricted purposes). Revenue for program underwriting, carriage fees, production revenues, and other revenue are recorded as receivables and recognized when the programs are aired. Revenue from rental activities are recorded as receivables and recognized as the obligations are fulfilled. The Organization receives a share of net revenues for two programs (which it sold in July 2015) and recognizes revenue on an annual, cash basis as payments are made by the program owner. The program owner remits payment based on their fiscal year, which ends on December 31st. Amounts received in advance are recorded as deferred revenue.

Pledges, grants and underwriting receivables: Pledges receivable are considered due within one year, unless otherwise indicated by the donor. Provision for estimated losses on collection of unpaid pledges is maintained at a level management believes is sufficient to cover potential losses and is based on the Organization's pledge collection history. Management considers all pledges to be fully collectible at June 30, 2018 and 2017. Pledges, not due within one year, are discounted using the Treasury bill rate at the pledge date.

The Organization's sustaining membership program is known as High Fidelity. Donors choose an amount to give each month and the Organization automatically bills the donor's credit card, debit card or bank account. Revenue is recognized monthly.

Various grants for programming and general operations which have yet to be received in cash are recorded as grants receivable.

Underwriting from corporations is recorded as a receivable each month after the corporations' name and message have been broadcast. An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses. The allowance is based on specific identification of uncollectible accounts and the Organization's historical collection experience. The allowance was $91,168 and $58,270 at June 30, 2018 and 2017, respectively.

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Cash and cash equivalents: The balances in certain of the Organization's cash accounts during the fiscal year have exceeded the federally insured limits from time to time. Management believes the Organization is not exposed to any significant credit risk related to cash. The Organization considers instruments with a maturity of 3 months or less to be a cash equivalent.

Investments: Investments are presented in the financial statements at fair value. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the consolidated statements of activities. Investments received as contributions are recorded at fair value at the date of receipt. Included in investments are cash equivalents which are intended to be held long term.

Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Property and equipment: Land, leasehold improvements, equipment and furnishings are recorded at cost. Land held for sale is recorded at the lower of its cost or fair value less costs to sell. It is the Organization's policy to capitalize property and equipment with a useful life longer than one year. Qualifying website development costs have been capitalized in accordance with accounting standards for website development costs. Depreciation is being provided on equipment and furnishings on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are being amortized over the shorter of their estimated useful lives or the terms of their leases. Estimated useful lives range from three to forty years depending on the asset classification.

Frequency rights and other intangible assets: The Organization owns various frequency rights and intangibles. All license acquisitions were approved by the Federal Communications Commission (FCC), and include: WBEW (FM), WRTE (FM), WKCC (FM), WBEQ (FM), and W219CD (FM). The Organization also acquired intellectual property, which is included in other intangible assets. These licenses and intellectual property are recorded as intangible assets on the consolidated statements of financial position.

Frequency rights and other intangible assets of $1,360,513 for the years ending June 30, 2018 and 2017 are considered to have an indefinite life and are therefore not amortized. The value of these intangibles is assessed for impairment on an annual basis.

Interest-rate swap agreements: The Organization's interest-rate swap agreements are reported as assets or liabilities at fair value on the statement of financial position, with changes in fair value recorded in the current period change in net assets. The fair value of these agreements are the estimated amount the Organization would pay or receive to terminate the agreement, taking into account current interest rates and the current credit worthiness of the swap counterparty.

Special events: The Organization hosts special events to raise contributions to support its activities. The Organization recognizes sponsorships as revenue after the event occurs and is presented in the statement of activities net of the actual direct costs of the events. Special event revenue for fiscal year 2018 is primarily attributable to WBEZ's Gala Celebration.

In-kind contributions and trade: The estimated fair value of business-related in-kind contributions (principally operating space) and professional services is recorded as revenue and expense in the period when the contributions and services are received.

The estimated fair value of business-related trade benefits, primarily the exchange of program underwriting for marketing and event services, is recorded as revenue and expense in the period when the obligation is fulfilled.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Income tax status: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

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

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Illinois, and is generally no longer subject to examination by the Internal Revenue Service for tax years before 2015.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's fiscal year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization plans to apply the standard using the full retrospective method. During management's review of the various revenue streams, it was determined that program underwriting may have a significant impact on the timing of recognizing revenue. Additionally, there will be new disclosures related to revenue from contracts with customers.

The Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's fiscal year ending June 30, 2020, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Organization's financial statements as a result of the Organization's operating leases, as disclosed in Note 11, which will be reported on the balance sheet at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions, and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources.

Note 1. Nature of Activities and Significant Accounting Policies – Continued

Recent accounting pronouncements – continued: The new standard is effective for the Organization's fiscal year ending June 30, 2019, and thereafter, and must be applied on a retrospective basis. The Organization expects there to be a change in net asset descriptions, enhanced disclosures related to liquidity and availability of resources, and the inclusion of the statement of functional expenses as a required statement.

Reclassifications: For comparability, the 2017 financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used in 2018. The Organization broke out Program Services into three categories: Content Creation, Content Distribution, and Community & Audience Engagement. The Organization collapsed Supporting Services into two categories: Management & General and Fundraising.

Subsequent events: The Organization evaluated its June 30, 2018 financial statements for subsequent events through October 2, 2018, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Note 2. Pledges Receivable

The Organization receives pledges from various donors throughout the year. Donations that have yet to be received in cash are recorded as pledges receivable and revenue. Pledges receivable at June 30, 2018 and 2017, consist of the following:

Amounts due in:	2018	2017
Less than one year	$ 1,239,302	$ 638,955
One to five years	2,970,487	447,711
	4,209,789	1,086,666
Less: Present value discount	(130,212)	(20,222)
	$ 4,079,577	$ 1,066,444

Pledges Receivable are discounted at rates ranging from 0.88 to 3.47 percent as of June 30, 2018 and 2017.

Note 3. Grants Receivable

Various grants for programming and general operations which were in effect but had yet to be received in cash are recorded as grants receivable and revenue. Grants receivable at June 30, 2018 and 2017 consist of amounts due for various purposes, as follows:

	2018	2017
General Operations	$ 392,710	$ 475,000
Content Journalism	465,000	150,000
Vocalo	-	50,000
Digital Archiving	-	250,000
	$ 857,710	$ 925,000

Note 4. Investments

Investment return was as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Net Realized Gain (Loss) on Investments	$ 2,059,184	$ 819,518
Net Unrealized Gain (Loss) on Investments	122,240	1,482,300
Total Realized and Unrealized Gain on Investments	2,181,424	2,301,818
Investment and dividend income	351,078	348,531
Investment Fees	(73,553)	(75,721)
	$ 2,458,949	$ 2,574,628

Note 5. Fair Value Measurements

The Organization follows ASC Topic 820, *Fair Value Measurements and Disclosure,* which provides the framework for measuring fair value under U.S. GAAP. This topic applies to all financial instruments that are being measured and reported on a fair value basis. As defined in the Topic, 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include zero-coupon bonds, equities, money market funds, U.S. Government securities and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities. Level 2 assets include corporate notes, government-sponsored enterprises and interest rate swaps.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in the previous year.

The interest swap is valued using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses of observable market-based inputs, including interest rates. The fair value estimate is classified as Level 2.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Note 5. Fair Value Measurements – Continued

The Organization assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the year ended June 30, 2018.

The table below presents the balances of assets and liabilities measured at fair value as of June 30, 2018 and 2017:

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Money Market	$ 156,455	$ 156,455	$ -	$ -
Zero-Coupon Bonds	11,321,860	11,321,860	-	-
Marketable Equity Securites	12,439,823	12,439,823	-	-
Equity Mutual Funds	13,226,622	13,226,622	-	-
	$ 37,144,760	$ 37,144,760	$ -	$ -
Interest Rate Swap Agreements	$ 368,585	$ -	$ 368,585	$ -

Not included in the preceding table is an equity investment of approximately $560,000. The equity investment will require a future commitment of approximately $1 million, over the next four years.

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Money Market Mutual Fund	$ 102,826	$ 102,826	$ -	$ -
Zero-Coupon Bonds	11,260,844	11,260,844	-	-
Marketable Equity Securites	11,097,224	11,097,224	-	-
Equity Mutual Funds	11,156,941	11,156,941	-	-
	$ 33,617,835	$ 33,617,835	$ -	$ -
Interest Rate Swap Agreements	$ (216,378)	$ -	$ (216,378)	$ -

Note 6. Property and Equipment

Station property, equipment and furnishings at June 30, 2018 and 2017 consist of:

	2018	2017
Land	$ 1,042,791	$ 1,042,791
Leasehold Improvements	15,729,359	15,693,059
Broadcast Equipment	5,725,756	5,561,691
Office Equipment	1,221,322	921,169
Furnishings	1,083,433	1,068,251
Website	1,144,128	1,040,684
Construction in Progress	96,797	303,012
	26,043,586	25,630,657
Accumulated Depreciation	(12,891,668)	(11,898,442)
	$ 13,151,918	$ 13,732,215

Note 6. Property and Equipment - Continued

Land located in Porter County, Indiana, is the site for a radio tower. Three parcels of land are considered, by the Organization, as land held for sale. In fiscal year 2017, the carrying value of this land was determined to exceed its estimated fair value, based on comparative market data, and to be impaired by $122,241. The land held for sale was valued at $639,992 on June 30, 2018 and 2017.

Depreciation expense amounted to $993,226 and $993,121 for the years ended June 30, 2018 and 2017, respectively.

Construction in progress includes capital expenditures for facility upgrades that had not been put into service at fiscal year-end. At June 30, 2018, these included facility renovation and audio, hardware, and software upgrades.

Note 7. Line of Credit

In May 2018, the Organization amended its line of credit agreement with BMO Harris Bank, N.A., to extend its maturity date by one year, from June 28, 2018 to June 28, 2019. The Organization has the option of selecting the interest rate at LIBOR plus 1.5 percent or the prime rate plus 1 percent. The maximum borrowing amount is $1 million. The Organization did not have any borrowings on the line of credit during the 2018 and 2017 fiscal years.

Note 8. Promissory Note Payable

The Organization entered into a $2,111,108 loan agreement in June 2011 with BMO Harris Bank, N.A. that was most recently amended on June 28, 2017, with $944,422 and $1,111,090 outstanding at June 30, 2018 and 2017, respectively. The Organization has the option of selecting the interest rate at reserve adjusted LIBOR plus 1.5 percent or the prime rate plus 1 percent. The interest rate was 3.60 percent at June 30, 2018 (2017 - 2.72 percent), which is calculated at reserve adjusted LIBOR plus 1.5 percent. Payments of principal and interest on the loan are due monthly, with a final balloon payment due on or before June 28, 2021. Minimum principal payments by fiscal year are as follows:

2019	$	166,668
2020		166,668
2021		611,086
	$	944,422

Interest expense on the loan amounted to $30,929 and $26,648 for fiscal years 2018 and 2017, respectively.

Note 9. Revenue Bonds

Pursuant to an agreement with the Illinois Finance Authority, in October 2005, the Organization received the proceeds from the issuance of $22,000,000 of variable rate demand revenue bonds, Series 2005, whose proceeds were to finance the expansion, construction, renovation and equipping of their public radio facilities and to repay the outstanding principal amount of $7,600,000 of a 1994 bond issuance.

The Series 2005 bonds have a stated maturity in 2040; however, the bonds are subject to redemption or mandatory tender prior to maturity under terms stated in the indenture. The bonds bear interest at a rate determined weekly by the remarketing agent (Piper Jaffray, Inc., or the Bank) with interest due monthly. This rate averaged approximately 1.88 percent for the year ended June 30, 2018 (2017 - 1.43 percent). The revenue bonds are shown on the statements of financial position net of issuance costs of $193,246 and $201,918 for the years ended June 30, 2018 and 2017, respectively (amortization expense was $8,672 for June 30, 2018 and 2017).

Subject to certain conditions specified in the Indenture, the interest rate on the Series 2005 bonds may be converted to a fixed rate.

Note 9. Revenue Bonds - Continued

The Series 2005 bonds are secured by a transferable irrevocable direct-pay letter of credit issued by the Bank with a maturity date of June 28, 2021. The Organization also has a reimbursement agreement with the Bank. The Organization is required to comply with certain financial covenants which are monitored on both a semiannual and annual basis.

If drawn on, the Organization would be required to repay the principal and interest amounts on the earliest of the following:

i) The date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed or cancelled pursuant to the Indenture;
ii) The date on which any Bonds purchased with funds disbursed under the Letter of Credit are successfully remarketed pursuant to the Indenture;
iii) The date on which the Letter of Credit is replaced by a substitute letter of credit pursuant to the terms of the Indenture and the Loan Agreement;
iv) The Termination Date; and
v) *Relating to interest only* - The regularly scheduled interest payment date for the Bonds next succeeding the date on which such Liquidity Advance was made.

Note 10. Interest Rate Swap Agreements

To hedge a portion of its exposure to interest rates on its bonds, the Organization has two interest rate swap agreements with the Bank. The notional amount of the 2011 swap agreement is for $11,000,000, and has a fixed interest rate of 3.04 percent through June 28, 2018. On June 26, 2017, the Organization entered into a forward swap instrument with an interest rate of 1.563 percent, which is effective from June 28, 2018 through July 1, 2022.

The Organization obtained an additional swap agreement on October 1, 2012, with a notional amount for $11,000,000, which had a fixed interest rate of 0.845 percent through October 2, 2017. The Organization entered into a forward swap on June 26, 2017, which is effective October 2, 2017 through July 1, 2022, with an interest rate of 1.460 percent. Interest expense (including letter of credit and remarketing fees) amounted to $645,728 and $600,981 in fiscal years 2018 and 2017, respectively.

The fair value of the swaps for the fiscal years 2018 and 2017 changed due to unrealized gains of $584,963 and $425,432, respectively.

Note 11. Lease Obligations

The Organization is obligated under non-cancelable operating leases for certain spaces and transmission facilities through 2025. The leases generally provide for base rent which is subject to adjustment for a proportionate share of any increases in the Consumer Price Index, operating expenses and real estate taxes.

Total rent expense under these leases (excluding the Navy Pier rental, see below), was $496,783 and $533,252 for the years ended June 30, 2018 and 2017, respectively. Annual future minimum rent payments by fiscal year are as follows:

2019	$ 478,757
2020	426,646
2021	400,456
2022	358,073
2023	346,656
Thereafter	441,983
	$ 2,452,570

The Organization occupies its primary operating space under a long-term lease with Navy Pier, Inc., pursuant to which the Organization rents three-dimensional air space above Festival Hall on Navy Pier in Chicago, as well as certain supplemental space. The lease expiration date is in 2095.

Note 11. Lease Obligations - Continued

In lieu of cash rent under the lease, the Organization is obligated to provide certain specified broadcast acknowledgments and promotional services (Base Rent) each day which identifies that the Organization is broadcasting from Navy Pier and promotes events and activities occurring at Navy Pier. In the event the Organization is unable or fails to render these forms of Base Rent, the Base Rent required to be paid under the lease will be the fair market rental value of the premises, which shall be determined in accordance with procedures set forth in the lease. The Organization is not responsible under the lease for any share of the costs of repairing or maintaining the common areas of Navy Pier. Management has determined the fair value of this lease to be, and has recorded in-kind contribution revenue and rental expense of equal amounts, $1,308,393 for the years ended June 30, 2018 and 2017.

Note 12. Restricted Net Assets

Temporarily restricted net assets were available for the following uses:

	2018	2017
Time Restrictions	$2,328,588	$ 908,885
Content Journalism	2,465,000	250,000
Digital Archiving	95	250,000
Internship Program	-	50,000
Capital Campaign	200,000	300,000
	$ 4,993,683	$ 1,758,885

Net assets released from donor restrictions were as follows:

	2018	2017
Time Restrictions	$ 1,428,020	$ 1,454,069
Content Journalism	1,370,000	435,000
Vocalo	-	204,300
Digital Archiving	330,000	265,000
Digital Expansion	71,091	90,934
Internship Program	192,470	108,334
IL Giving Tuesday	15,000	-
Community Service Grant	339,091	366,621
Capital Campaign	100,000	100,000
	$ 3,845,672	$ 3,024,258

Permanently restricted net assets were available for the following uses:

	2018	2017
Digital Archiving	$ 1,000,000	$ -
	$ 1,000,000	$ -

No net assets were released from permanent restrictions.

Note 13. Donor-Restricted and Board-Restricted Endowments

The Organization's endowment, created in late fiscal year 2018, includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The board of directors 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 funds 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, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment Net Asset Composition
As of June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-resticted endowment funds	$ -	$ 95	$ 1,000,000	$ 1,000,095

Changes in Endowment Net Assets for the Fiscal Year Ending
As of June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ -	$ -	$ -	$ -
Investment Income	-	95	-	95
Contributions	-	-	1,000,000	1,000,000
Endowment Net Assets - End of Year	$ -	$ 95	$ 1,000,000	$ 1,000,095

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark as defined in its investment policy statement. Actual returns in any given year may vary from this amount. The endowment fund was established in late fiscal year 2018, and as such, the investment returns have not yet achieved the return objective.

Note 13. Donor-Restricted and Board-Restricted Endowments - Continued

Strategies Employed for Achieving Objectives: 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 has a policy of appropriating for distribution each year no greater than 5 percent of its endowment fund's fair value determined on a rolling twelve quarter average with the fair value determined as of the last business day of each quarter. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to preserve the principal in perpetuity. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

Funds with Deficiencies: From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2018, there were no such deficiencies.

Note 14. Corporation for Public Broadcasting Grants

Each year, the Organization receives a Community Service Grant from the Corporation for Public Broadcasting (CPB). This amount represents the Organization's share of an annual appropriation made by Congress for public broadcasting. The CPB Community Service Grant received by the Organization and recorded as revenue on the consolidated statement of activities for the years ended June 30, 2018 and 2017 was as follows:

	2018	2017
Corporation for Public Broadcasting - Community Service Grant	$ 1,292,760	$ 1,422,785

Note 15. Employee Benefit Plan

The Organization maintains the Chicago Public Media, Inc. Tax-Deferred Annuity Plan (Plan), which is exempt from income taxes under Internal Revenue Code Section 403(b), for the benefit of eligible employees. The Organization matches 100 percent of employee contributions up to 4 percent of the employee's compensation.

Employees can participate in the Plan immediately, but they must have one year of service and be at least 21 years of age before they are eligible to receive matching contributions. Participants in the Plan are immediately vested in both their contributions and the matching contributions.

Matching contributions totaled $277,276 and $277,975 for the years ended June 30, 2018 and 2017, respectively