

Iowa Public Radio, Inc.

2017

**ANNUAL
REPORT**

*Financial Statements and Supplemental Information
for the Years Ended June 30, 2017 and 2016
and Independent Auditor's Report*

IOWA PUBLIC RADIO, INC.

Audited Financial Statements
for the Years Ended
June 30, 2017 and 2016 and
Independent Auditor's Report

IOWA PUBLIC RADIO, INC.

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June 30, 2017

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IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2017, 2016 and 2015

Iowa Public Radio, Inc. ("IPR") provides this Management's Discussion and Analysis as a narrative overview of the financial performance of IPR as of and for the three years ended June 30, 2017, 2016 and 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes that follow.

The Board of Regents, State of Iowa, established Iowa Public Radio, Inc. to manage the day-to-day operations including management, programming and technical support of the public radio operations at the three Regents' universities. This includes the KUNI Radio Group ("KUNI") at the University of Northern Iowa, the WOI Radio Group ("WOI") at Iowa State University and the WSUI Radio Group ("WSUI") at the University of Iowa. IPR is governed by a board of directors consisting of ten appointees. The President of the Board of Regents appoints seven community directors to represent the interests of Iowa's communities. The president at each of the Regents' universities appoints a university director to represent the interests of each respective university.

The audited financial statements and footnotes of IPR should be read in conjunction with the audited financial statements and footnotes of each of the radio stations.

Iowa Public Radio's mission is to inform, enrich and engage Iowans through high quality news and cultural programming. IPR delivers three streams of programming statewide, bringing Iowans award-winning national programming and producing local programs that reflect Iowa's sense of place. IPR's mission will be accomplished by focusing on its goals – strengthen the impact, reach and performance of the organization in order to better serve Iowans; grow and engage audience; deliver national, international and local news and cultural programming and develop a sustainable funding model that allows the network to thrive.

Using the Audited Financial Statements

This analysis is intended to introduce the basic financial statements of IPR which consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. IPR prepares its financial statements in accordance with Governmental Accounting Standards Board ("GASB") standards. These financial statements provide information on IPR as a whole and present both a short-term and long-term view of IPR's financial position. The basic financial statements also include the Notes to the Financial Statements which further explain and provide detail about the financial statements.

The Statements of Net Position

The Statements of Net Position present the assets, liabilities and net position of IPR using the economic resources measurement focus and accrual basis of accounting. The Statements of Net Position represent the financial position at the end of each fiscal year. The difference between assets and liabilities – or net position – is one indicator of the current financial condition. The change in net position shown on the Statement of Revenues, Expenses and Changes in Net Position indicates whether the overall financial condition has improved during the fiscal year.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2017, 2016 and 2015

| | June 30, | | |
|------------------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2015 |
| Assets: | | | |
| Current assets | \$ 1,878,234 | \$ 1,406,518 | \$ 1,091,218 |
| Other non-current assets | 522,855 | 515,510 | 513,824 |
| Capital assets, net | 96,561 | 69,336 | 66,351 |
| Total assets | <u>\$ 2,497,650</u> | <u>\$ 1,991,364</u> | <u>\$ 1,671,393</u> |
| Liabilities: | | | |
| Current liabilities | \$ 467,006 | \$ 471,916 | \$ 513,790 |
| Long-term liabilities | - | - | 61,536 |
| Total liabilities | <u>\$ 467,006</u> | <u>\$ 471,916</u> | <u>\$ 575,326</u> |
| Net position: | | | |
| Investment in capital assets | \$ 96,561 | \$ 69,336 | \$ 66,351 |
| Restricted | 529,298 | 507,572 | 670,825 |
| Unrestricted | 1,404,785 | 942,540 | 358,891 |
| Total net position | <u>\$ 2,030,644</u> | <u>\$ 1,519,448</u> | <u>\$ 1,096,067</u> |
| Total liabilities and net position | <u>\$ 2,497,650</u> | <u>\$ 1,991,364</u> | <u>\$ 1,671,393</u> |

Total assets at June 30, 2017 increased 25.4% to \$2,497,650 compared to total assets of \$1,991,364 at the end of the prior fiscal year. Current assets at June 30, 2017 increased 33.5% to \$1,878,234 compared to current assets of \$1,406,518 at the end of the prior fiscal year. The increase in current assets is due to increases in cash and cash equivalents, prepaid expenses, inventory and unconditional promises to give offset by a decrease in underwriting receivable. Current assets at the end of fiscal year 2016 increased compared to current assets at the end of fiscal year 2015 primarily due to increases in cash and cash equivalents, underwriting receivable, inventory and prepaid expenses offset by a decrease in operating endowment receivable.

Non-current assets at June 30, 2017 increased 1.4% to \$522,855 compared to non-current assets of \$515,510 at the end of the prior fiscal year. The increase in non-current assets is due to an increase in other assets. Non-current assets at the end of fiscal year 2016 increased compared to non-current assets at the end of fiscal year 2015 due to an increase in other assets.

Capital assets at June 30, 2017 increased 39.3% to \$96,561 compared to capital assets of \$69,336 at the end of the prior fiscal year. The increase in capital assets is primarily due to capital asset purchases offset by the recording of depreciation. Capital assets at the end of fiscal year 2016 increased compared to capital assets at the end of fiscal year 2015 due to capital asset purchases offset by the recording of depreciation.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2017, 2016 and 2015

Total liabilities at June 30, 2017 decreased 1.0% to \$467,006 compared to total liabilities of \$471,916 at the end of the prior fiscal year. Current liabilities at June 30, 2017 decreased 1.0% to \$467,006 compared to current liabilities of \$471,916 at the end of the prior fiscal year. The decrease in current liabilities is primarily due to decreases in notes payable and accounts payable offset by increases in advance payments on underwriting agreements and accrued compensation. Current liabilities at the end of fiscal year 2016 decreased compared to current liabilities at the end of fiscal year 2015 due to decreases in notes payable and advance payments on underwriting agreements offset by increases in salaries and wages payable and accounts payable.

Long-term liabilities at June 30, 2017 remained at \$0 compared to long-term liabilities of \$0 at the end of the prior fiscal year. Long-term liabilities at the end of fiscal year 2016 decreased compared to long-term liabilities at the end of fiscal year 2015 due to the decrease in notes payable.

Total net position at June 30, 2017 increased 33.6% to \$2,030,644 compared to total net position of \$1,519,448 at the end of the prior fiscal year. Capital assets, as referenced above, increased at June 30, 2017 compared to capital assets at the end of the prior fiscal year. Restricted assets increased at June 30, 2017 due to increases in assets restricted for programming and for the operating endowment. Unrestricted assets increased at June 30, 2017 due to the increase in total revenue compared to the prior fiscal year. Total net position at the end of fiscal year 2016 increased compared to the total net position at the end of fiscal year 2015.

The Statements of Revenues, Expenses and Changes In Net Position

The change in net position as presented in the Statements of Net Position is based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position.

| | For the years ended June 30, | | |
|--|------------------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Total operating revenues | \$ 6,033,472 | \$ 5,231,365 | \$ 4,805,563 |
| Total operating expenses | 5,922,220 | 5,206,921 | 4,833,808 |
| Operating profit (loss) | 111,252 | 24,444 | (28,245) |
| Non-operating revenues (expenses) - net | 394,744 | 398,937 | 387,419 |
| Income before other revenues, expenses, gains and losses | 505,996 | 423,381 | 359,174 |
| Other revenues, expenses, gains and losses | 5,200 | - | - |
| Change in net position | \$ 511,196 | \$ 423,381 | \$ 359,174 |

Total operating revenues for the year ended June 30, 2017 increased 15.3% to \$6,033,472 compared to \$5,231,365 for the year ended June 30, 2016. Major components of operating revenues include:

- Contributions, net of allowances, increased operating revenues by \$501,211;

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2017, 2016 and 2015

- Revenue from major gifts increased operating revenues by \$227,395;
- Underwriting revenue, net of allowances, increased operating revenues by \$137,114;
- Online ad revenue increased operating revenues by \$3,590; and
- Revenue from special events and projects decreased operating revenues by \$67,203.

Total operating revenues for the year ended June 30, 2016 increased 8.9% to \$5,231,365 compared to \$4,805,563 for the year ended June 30, 2015. This increase was due to increases in contributions, revenue from special events and projects, underwriting revenue, revenue from major gifts and online ad revenue offset by a decrease in donated support.

Total operating expenses for the year ended June 30, 2017 increased 13.7% to \$5,922,220 compared to \$5,206,921 for the year ended June 30, 2016. Major components of operating expenses include:

- Management and general related expenses increased operating expenses by \$552,726 primarily due to increases in contribution expense, salaries, wages and benefits, professional services and repairs and maintenance offset by a decrease in recruitment expense;
- Fundraising and membership development related expenses increased operating expenses by \$81,862 primarily due to increases in salaries, wages and benefits, professional services and supplies;
- Broadcasting and engineering related expenses increased operating expenses by \$52,856 primarily due to increases in salaries, wages and benefits, repairs and maintenance and supplies offset by decreases in telecommunications and professional services;
- Programming and production related expenses increased operating expenses by \$37,132 primarily due to increases in salaries, wages and benefits, programming fees, supplies, professional services and travel;
- Depreciation expense decreased operating expenses by \$1,419; and
- Program information and promotion related expenses decreased operating expenses by \$7,858 primarily due to a decrease in professional services.

Total operating expenses for the year ended June 30, 2016 increased 7.7% to \$5,206,921 compared to \$4,833,808 for the year ended June 30, 2015. This increase was primarily due to increases in salaries, wages and benefits, professional services, printing, programming fees and postage.

Non-operating revenues (expenses) for the year ended June 30, 2017 decreased 1.1% to \$394,744 compared to \$398,937 for the year ended June 30, 2016. This decrease is primarily due to a decrease in rental revenue offset by a decrease in interest expense.

Non-operating revenues (expenses) for the year ended June 30, 2016 increased 3.0% to \$398,937 compared to \$387,419 for the year ended June 30, 2015. This increase was primarily due to an increase in rental revenue and a decrease in interest expense.

The Statements of Cash Flows

The Statements of Cash Flows provides information about cash receipts and cash disbursements for IPR for the fiscal year.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2017, 2016 and 2015

| | For the years ended June 30, | | |
|--|------------------------------|---------------------|---------------------|
| | 2017 | 2016 | 2015 |
| Cash from operating activities | \$ 189,909 | \$ 184,015 | \$ 97,505 |
| Cash from non-capital financing activities | 333,264 | 279,234 | 270,535 |
| Cash from capital financing activities | (50,868) | (28,047) | (25,754) |
| Cash from investing activities | 15,185 | 7,081 | 6,002 |
| Net change in cash | 487,490 | 442,283 | 348,288 |
| Cash beginning of year | 1,639,791 | 1,197,508 | 849,220 |
| Cash end of year | <u>\$ 2,127,281</u> | <u>\$ 1,639,791</u> | <u>\$ 1,197,508</u> |

Cash from operating activities increased to \$189,909 for the year ended June 30, 2017 compared to \$184,015 for the year ended June 30, 2016 due to increases in cash received from membership and fundraising campaigns and underwriting revenue offset by a decrease in cash received from special events and increases in cash payments to state universities for membership and fundraising, to employees for salaries, wages and benefits and to suppliers for goods and services.

Cash from non-capital financing activities increased to \$333,264 for the year ended June 30, 2017 compared to \$279,234 for the year ended June 30, 2016 due to a decrease in cash payments on debt.

Cash from capital financing activities decreased to (\$50,868) for the year ended June 30, 2017 compared to (\$28,047) for the year ended June 30, 2016 due to the purchase of capitalized equipment.

Cash from investing activities increased to \$15,185 for the year ended June 30, 2017 compared to \$7,081 for the year ended June 30, 2016 due to an increase in the proceeds from the sale of donated securities.

The net increase in cash and cash equivalents is \$487,490 for the year ended June 30, 2017 compared to a net increase of \$442,283 for the year ended June 30, 2016.

Capital Assets

At June 30, 2017, capital assets totaled \$214,518, with accumulated depreciation of \$117,957, for net capital assets of \$96,561. At June 30, 2016, capital assets totaled \$164,964, with accumulated depreciation of \$95,628, for net capital assets of \$69,336. Depreciation charges for the year ended June 30, 2017 totaled \$23,644 compared to \$25,063 for the year ended June 30, 2016. Capital assets, net of accumulated depreciation, are as follows:

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2017, 2016 and 2015

| | For the years ended June 30, | | |
|------------------------------|------------------------------|------------------|------------------|
| | 2017 | 2016 | 2015 |
| Furniture and fixtures | \$ 4,441 | \$ 5,668 | \$ 6,896 |
| Equipment | 83,758 | 63,668 | 57,630 |
| Leasehold improvement | 8,362 | - | 1,825 |
| Investment in capital assets | <u>\$ 96,561</u> | <u>\$ 69,336</u> | <u>\$ 66,351</u> |

Economic Outlook

The management of IPR is not aware of any extraordinary items that would impact the viability of IPR going forward and IPR is fully engaged in its effort to assure its sustainability for the coming years.

Contacting Iowa Public Radio, Inc.'s Financial Management

This financial report is designed to provide users with a general overview of IPR's finances and to demonstrate accountability for the funds received. Questions regarding this report or requests for additional information should be directed to the Finance and Operations Director, Iowa Public Radio, Inc., 2111 Grand Avenue, Suite 100, Des Moines, IA 50312.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Iowa Public Radio, Inc.:

We have audited the accompanying financial statements of Iowa Public Radio, Inc. (a nonprofit organization), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Iowa Public Radio, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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American Institute of
Certified Public Accountants

Iowa Society of Certified
Public Accountants

Forensic Accountants
Society of North America

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Iowa Public Radio, Inc. as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 - 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Iowa Public Radio, Inc.'s basic financial statements. The schedules of functional expenses on pages 23 - 24 are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of functional expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 on our consideration of Iowa Public Radio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iowa Public Radio, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Nearmyer & Associates P.C." The signature is stylized and cursive.

Nearmyer & Associates, P.C.
Certified Public Accountants
Urbandale, Iowa

November 29, 2017

IOWA PUBLIC RADIO, INC.

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

| <u>ASSETS</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,620,456 | \$ 1,132,966 |
| Unconditional promises to give, less allowance for doubtful accounts; \$800 in 2017 and \$618 in 2016 | 7,196 | 5,559 |
| Underwriting receivable, less allowance for doubtful accounts; \$7,494 in 2017 and \$12,417 in 2016 | 167,083 | 190,901 |
| Accounts receivable | 2,057 | 1,865 |
| Prepaid expenses | 67,072 | 62,840 |
| Inventory | 14,370 | 12,387 |
| Total current assets | <u>1,878,234</u> | <u>1,406,518</u> |
| Restricted cash and cash equivalents | 506,825 | 506,825 |
| Other assets | 16,030 | 8,685 |
| Capital assets, net | 96,561 | 69,336 |
| Total non-current assets | <u>619,416</u> | <u>584,846</u> |
| Total assets | <u>\$ 2,497,650</u> | <u>\$ 1,991,364</u> |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Accounts payable | \$ 20,423 | \$ 23,924 |
| Advance payments on underwriting agreements | 139,897 | 101,979 |
| Accrued compensation | 306,686 | 284,477 |
| Current portion - notes payable | - | 61,536 |
| Total liabilities | <u>467,006</u> | <u>471,916</u> |
| Net position | | |
| Investment in capital assets | 96,561 | 69,336 |
| Restricted: | | |
| Expendable | 16,441 | - |
| Non-expendable | 512,857 | 507,572 |
| Unrestricted | 1,404,785 | 942,540 |
| Total net position | <u>2,030,644</u> | <u>1,519,448</u> |
| Total liabilities and net position | <u>\$ 2,497,650</u> | <u>\$ 1,991,364</u> |

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2017 and 2016

| <u>OPERATING REVENUES</u> | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Contributions - net | \$ 3,842,433 | \$ 3,341,222 |
| Program underwriting - net | 1,721,909 | 1,584,795 |
| Major gifts | 437,671 | 210,276 |
| Special events and projects | 15,753 | 82,956 |
| Online ad revenue | 15,706 | 12,116 |
| Total operating revenues | <u>6,033,472</u> | <u>5,231,365</u> |
| <u>OPERATING EXPENSES</u> | | |
| Program services: | | |
| Programming and production | 1,172,262 | 1,135,130 |
| Broadcasting and engineering | 685,590 | 632,734 |
| Program information and promotion | 13,787 | 21,645 |
| Support services: | | |
| Management and general | 2,792,595 | 2,239,869 |
| Fundraising and membership development | 1,234,342 | 1,152,480 |
| Depreciation | 23,644 | 25,063 |
| Total operating expenses | <u>5,922,220</u> | <u>5,206,921</u> |
| Operating profit | <u>111,252</u> | <u>24,444</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | |
| State appropriations | 391,568 | 391,568 |
| Investment return | (56) | (353) |
| Rental revenue | 4,163 | 12,300 |
| Interest expense | (931) | (4,578) |
| Total non-operating revenues (expenses) - net | <u>394,744</u> | <u>398,937</u> |
| Income before other revenues, expenses, gains and losses | 505,996 | 423,381 |
| Contributions to permanent operating endowment | 5,200 | - |
| Total other revenues, expenses, gains and losses | <u>5,200</u> | <u>-</u> |
| Change in net position | 511,196 | 423,381 |
| Net position, beginning of year | 1,519,448 | 1,096,067 |
| Net position, end of year | <u>\$ 2,030,644</u> | <u>\$ 1,519,448</u> |

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | <u>2017</u> | <u>2016</u> |
|---|----------------------------|----------------------------|
| Cash received from memberships and fundraising campaigns | \$ 4,260,704 | \$ 3,709,587 |
| Cash received from program underwriting | 1,798,991 | 1,531,066 |
| Cash received from special events and projects | 15,921 | 82,711 |
| Cash payments to employees for salaries, wages and benefits | (2,745,259) | (2,589,207) |
| Cash payments to suppliers for goods and services | (1,194,824) | (1,099,771) |
| Cash payments to state universities for memberships and fundraising campaigns | <u>(1,945,624)</u> | <u>(1,450,371)</u> |
| Net cash flows provided by operating activities | <u>189,909</u> | <u>184,015</u> |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u> | | |
| Cash received from state appropriations | 391,568 | 391,568 |
| Cash received from rental income | 4,163 | 12,600 |
| Cash payments on debt | (61,536) | (120,356) |
| Cash payments for interest on debt | <u>(931)</u> | <u>(4,578)</u> |
| Net cash flows provided by non-capital financing activities | <u>333,264</u> | <u>279,234</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | |
| Purchase of equipment - capitalized | <u>(50,868)</u> | <u>(28,047)</u> |
| Net cash flows used by capital financing activities | <u>(50,868)</u> | <u>(28,047)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Proceeds from sale of donated securities | 15,227 | 7,118 |
| Cash paid for investment income/expense net | <u>(42)</u> | <u>(37)</u> |
| Net cash flows provided by investing activities | <u>15,185</u> | <u>7,081</u> |
| Net increase in cash and cash equivalents | 487,490 | 442,283 |
| Cash and cash equivalents, beginning of year | <u>1,639,791</u> | <u>1,197,508</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 2,127,281</u></u> | <u><u>\$ 1,639,791</u></u> |

Continued.....

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| <u>RECONCILIATION OF OPERATING PROFIT TO NET</u> | | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Operating profit | \$ 111,252 | \$ 24,444 |
| Transactions not requiring cash: | | |
| Depreciation | 23,644 | 25,063 |
| Donated securities | (15,326) | (7,215) |
| Donated life insurance policy/increase in cash surrender value | (2,061) | (1,905) |
| (Increase) decrease in: | | |
| Accounts receivable | (192) | (120) |
| Due from related party | - | 12,760 |
| Pledges and underwriting receivable | 22,181 | (31,773) |
| Unrestricted portion of operating endowment | - | 164,000 |
| Inventory | (1,983) | (12,387) |
| Prepaid expenses | (4,232) | (5,797) |
| Increase (decrease) in: | | |
| Accounts payable | (3,501) | 9,969 |
| Advance payments on underwriting agreements | 37,918 | (30,456) |
| Salaries and wages payable | 22,209 | 37,432 |
| Net cash flows provided by operating activities | <u>\$ 189,909</u> | <u>\$ 184,015</u> |

Concluded.

DISCLOSURE OF NON-CASH FINANCING AND INVESTING TRANSACTIONS:

Iowa Public Radio, Inc. received donated securities in the amount of \$15,326 and \$7,215 for the years ended June 30, 2017 and 2016, respectively.

Iowa Public Radio, Inc. owns a life insurance policy in which the premiums are paid by the donor. The cash surrender value of the policy increased \$2,061 and \$1,905 for the years ended June 30, 2017 and 2016, respectively.

Iowa Public Radio, Inc. received contributions to the Iowa Public Radio Fund at the Community Foundation of Greater Des Moines in the amount of \$5,200 and \$0 for the years ended June 30, 2017 and 2016, respectively.

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Iowa Public Radio, Inc. (the "Organization") is organized as a public benefit corporation under the Revised Iowa Non-Profit Corporation Act, Chapter 504 of the Code of Iowa. The Organization was formed to support the welfare and growth of the network of public radio stations in the State of Iowa, including, but not limited to, the public radio stations currently licensed to the University of Northern Iowa, Iowa State University and the University of Iowa. The state universities are divisions of the State of Iowa, governed by the Board of Regents, State of Iowa ("Board of Regents"). The Organization is governed by a ten member board, with one licensee director appointed by each university president to represent the interest of the station licensee. Upon dissolution of the Corporation, the Organization shall distribute all of the assets of the Corporation to the Board of Regents or at the direction of the Board of Regents, the Organization shall distribute all of the assets of the Corporation to one or more non-profit organizations which are operated exclusively for charitable or educational purposes.

The Organization has been determined to be a component unit of the State of Iowa. The Organization's financial statements are included in the State's Comprehensive Annual Financial Report.

Financial Statement Presentation

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

Basis of Accounting

For financial reporting purposes, the Organization is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the Organization have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Nature of Activities

The Organization is operated exclusively for charitable and educational purposes. The Organization's mission is to inform, enrich and engage Iowans through high quality news and cultural programming. The Organization delivers three streams of programming statewide, bringing Iowans award-winning national programming and producing local programs that reflect Iowa's sense of place. The Organization is primarily supported by contributions from the public.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unconditional Promises to Give

Unconditional promises to give are periodically evaluated for collectability based on payment history with the donor, time elapsed since the pledge was received and the number of collection attempts the Organization has made. Based on these criteria, management determines an appropriate allowance for doubtful accounts. The allowance for doubtful accounts totaled \$800 and \$618 as of June 30, 2017 and 2016, respectively.

Underwriting Receivables

Underwriting receivables are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines an appropriate allowance for doubtful accounts by identifying past due accounts and by using historical experience applied to an aging of accounts. Underwriting receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The allowance for doubtful accounts totaled \$7,494 and \$12,417 as of June 30, 2017 and 2016, respectively.

Inventory

Inventory is carried at the lower of cost or market. Item costs are determined using the first-in, first-out method. Inventory, which is reported as a current asset in the Statements of Net Position, consists of merchandise held for sale and premiums. Inventory totaled \$14,370 and \$12,387 as of June 30, 2017 and 2016, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash, promises to give, underwriting receivable, accounts receivable, prepaid expenses, inventory, accounts payable, advance payments on underwriting agreements and accrued expenses approximate fair value because of the short maturity of those financial instruments.

The Organization holds certain investments that are required to be measured at fair value on a recurring basis. The financial instruments reported at fair value are classified based on the inputs used to determine the value, as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuations that require inputs that are both significant to the fair value measurement and unobservable in the market.

The Organization has the following recurring fair value measurements as of June 30, 2017:

- Long-term growth portfolio fund of \$6,032 is recorded at fair value based on market price obtained from an external investment manager (Level 2).
- Cash surrender value of donated life insurance policy of \$9,998 is recorded at fair value as provided by the insurance carrier (Level 3).

The Organization has the following recurring fair value measurements as of June 30, 2016:

- Long-term growth portfolio fund of \$747 is recorded at fair value based on market price obtained from an external investment manager (Level 2).
- Cash surrender value of donated life insurance policy of \$7,938 is recorded at fair value as provided by the insurance carrier (Level 3).

Capital Assets

Capital assets are recorded at cost at the date of acquisition or at acquisition value at the date of donation. The Organization's capitalization policy for furniture and fixtures and equipment includes all items with a unit cost of at least \$1,000 and an estimated useful life of greater than one year. Improvements to leased property are charged to operations in the year in which the expense is incurred unless the improvements are significant and determined to meet the Organization's capitalization policy.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 10 years for furniture and fixtures and 3-10 years for equipment. Depreciation expense charged to operations for the years ended June 30, 2017 and 2016 totaled \$23,644 and \$25,063, respectively.

Program Underwriting and Advance Payments on Underwriting Agreements

The Organization assumes all billing and collection activities of program underwriting for the radio stations licensed to the state universities. Underwriting support is treated as conditional contributions, and recognized when the conditions are met, based on the terms of the underwriting agreements, and are recognized primarily on a pro rata basis as the underwriters are acknowledged.

Net Position

The Organization's net position is classified as follows:

Investment in capital assets - Capital assets, net of accumulated depreciation attributable to the acquisition, construction, or improvement of those assets.

Restricted, expendable - Net position subject to externally imposed restrictions on use of resources either legally or contractually.

Restricted, non-expendable - Net position subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.

Unrestricted - Net position not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management.

When an expense is incurred for which both restricted and unrestricted net position is available, the Organization's policy is to first apply the expense against the restricted and then toward the unrestricted asset.

Restricted net position is available for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|-------------------|-------------------|
| Restricted, expendable | | |
| Programming | \$ 16,441 | \$ - |
| Total restricted, expendable | 16,441 | - |
| Restricted, non-expendable | | |
| Operating endowment | 512,857 | 507,572 |
| Total restricted, non-expendable | 512,857 | 507,572 |
| Total restricted net position | <u>\$ 529,298</u> | <u>\$ 507,572</u> |

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the unconditional promise is made. Sustaining pledges are recognized as revenue when payment is received. Contributions of assets other than cash are recorded at their estimated fair value. Grants are recognized as revenue in the period the grant is awarded. Grants and contributions are considered available for unrestricted use, unless specifically restricted by the grantor or donor.

Contributed Services

Contributed services are recognized as contributions if the services received, created or enhanced a long-lived asset or required specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers provide a variety of tasks that assist the Organization throughout the year that have not been recognized as contributions in the financial statements because the criteria for recognition was not met.

Functional Allocation of Expenses

The cost of providing program services, support services and depreciation are summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Position and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated between program and support services on the basis of benefits received.

Advertising

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expense charged to operations for the years ended June 30, 2017 and 2016 totaled \$7,689 and \$14,032, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from State of Iowa income taxes; therefore, there is no provision for either federal or state income taxes.

The Organization has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The years from June 30, 2014 through current are subject to U.S. federal income tax examinations by tax authorities. The Organization has not been notified of any impending examinations by tax authorities, and no examinations are in process.

Operating and Non-Operating Activities

Operating activities generally result from the management, programming, technical support and fundraising for the radio stations licensed to the state universities. Revenues restricted by donors for the use of capital improvements and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentations.

2. TRANSACTIONS WITH STATE UNIVERSITIES

In May, 2007, the Organization entered into a Public Service Operating Agreement ("PSOA") to manage the day-to-day operations of the radio stations on behalf of the Board of Regents and the universities consistent with Federal Communications Commission ("FCC") requirements for licensee control. The PSOA expired June 30, 2013 and was renewed by the Board of Regents through June 30, 2019. The Organization provides services to each of the universities including management, programming and technical support and serves as the primary fundraising entity. Contribution expense for the years ended June 30, 2017 and 2016 is as follows:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Contribution expense | | |
| University of Northern Iowa (Licensee: KUNI) | \$ 750,000 | \$ 573,992 |
| Iowa State University (Licensee: WOI) | 695,624 | 556,379 |
| University of Iowa (Licensee: KSUI) | <u>500,000</u> | <u>320,000</u> |
| Total contribution expense | <u>\$ 1,945,624</u> | <u>\$ 1,450,371</u> |

There were no contributions payable as of June 30, 2017 and 2016.

Financial statements for the universities can be obtained from the University of Northern Iowa's Office of Business Operations, 103 Gilchrist Hall, Cedar Falls, IA 50614-0008, Iowa State University's Controller's Department, 1640 Administrative Services Building, 2221 Wanda Daley Drive, Ames, IA 50011-1004 and the University of Iowa's Controller's Office, Jessup Hall, 5 West Jefferson Street, Iowa City, IA 52242.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents of the Organization are held by Iowa State University (the "University") and Iowa State University Foundation (the "Foundation") and consist of restricted and unrestricted cash on hand, in checking, savings, and money market accounts, and highly liquid investments with original maturities of less than three months. Cash equivalents are readily convertible to known amounts of cash.

Investments contributed to the Organization include donated securities and a life insurance policy. The donated securities are recorded at fair value on the date of the gift. The Organization sells the donated securities upon receipt and held no securities as of June 30, 2017 and 2016. The life insurance policy is recorded at the cash surrender value which is \$9,998 and \$7,938 as of June 30, 2017 and 2016, respectively.

The Organization established the Iowa Public Radio Fund with the Community Foundation of Greater Des Moines in December, 2012. The value of the fund is \$6,032 and \$747 as of June 30, 2017 and 2016, respectively. The fund assets are invested in a long-term growth portfolio with investment assets comprised of domestic and international equity, U.S. fixed income, hedge funds, real assets, private equity securities and cash.

Investment return for the years ended June 30, 2017 and 2016 is summarized as follows:

| | <u>2017</u> | <u>2016</u> |
|--|----------------|-----------------|
| Investment return | | |
| Dividends and interest | \$ 54 | \$ 35 |
| Management fees | (292) | (304) |
| Net realized and unrealized gains (losses) | 182 | (84) |
| Total investment return | <u>\$ (56)</u> | <u>\$ (353)</u> |

The Organization's cash and cash equivalents are subject to the following risks:

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2017, the Organization's cash and cash equivalents were highly concentrated in the University and Foundation cash accounts.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the Organization may not be able to recover deposits or collateral securities. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund.

As of June 30, 2017 and 2016, the carrying amount of deposits with the Foundation totaled \$2,088,935 and \$1,606,306, respectively. The Foundation maintains deposits in financial institutions that consistently exceed the FDIC insured limit. The Foundation has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk.

Financial statements for the Foundation can be obtained from the Iowa State University Foundation at 2505 University Boulevard, Ames, IA 50010-2230.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are pledges made to the Organization and consisted of the following as of June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|---|-----------------|-----------------|
| Unconditional promises to give | | |
| Receivable in less than one year | \$ 7,996 | \$ 6,177 |
| Less allowance for uncollectible promises to give | (800) | (618) |
| Net unconditional promises to give | <u>\$ 7,196</u> | <u>\$ 5,559</u> |

5. ENDOWMENTS

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the Organization to appropriate an amount of realized and unrealized appreciation as the Organization determines to be prudent. In August, 2013, the Organization formally adopted a spending policy for permanent endowment funds. Net appreciation of endowment funds available for expenditures totaled \$0 as of June 30, 2017 and 2016.

The endowment activity, which is classified as non-expendable net position, consisted of the following for the years ended June 30, 2017 and 2016.

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Endowment net position, beginning of year | \$ 507,572 | \$ 507,792 |
| Contributions | 5,200 | - |
| Dividends and interest | 54 | 19 |
| Net appreciation/(depreciation) | 281 | 13 |
| Administrative fee | (250) | (252) |
| Amounts appropriated for expenditure | - | - |
| Endowment net position, end of year | <u>\$ 512,857</u> | <u>\$ 507,572</u> |

The Organization's spending policy provides for quarterly distributions to the Organization limited to the spending percentage multiplied by the deemed pool value which is the greater of \$500,000 or the average market value for the prior twelve quarters. The current spending policy provides a spending percentage of 4.25%.

6. CAPITAL ASSETS

A summary of capital assets at June 30, 2017 is as follows:

| | <u>June 30, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2017</u> |
|----------------------------------|--------------------------|------------------|-------------------|--------------------------|
| Furniture & fixtures | \$ 12,278 | \$ - | \$ - | \$ 12,278 |
| Equipment | 141,736 | 42,015 | 1,315 | 182,436 |
| Leasehold improvements | 10,950 | 8,854 | - | 19,804 |
| Total | <u>164,964</u> | <u>50,869</u> | <u>1,315</u> | <u>214,518</u> |
| Less accumulated depreciation: | | | | |
| Furniture & fixtures | 6,610 | 1,228 | - | 7,838 |
| Equipment | 78,068 | 21,924 | 1,315 | 98,677 |
| Leasehold improvements | 10,950 | 492 | - | 11,442 |
| Total | <u>95,628</u> | <u>23,644</u> | <u>1,315</u> | <u>117,957</u> |
| Net investment in capital assets | <u>\$ 69,336</u> | <u>\$ 27,225</u> | <u>\$ -</u> | <u>\$ 96,561</u> |

A summary of capital assets at June 30, 2016 is as follows:

| | June 30, 2015 | Additions | Reductions | June 30, 2016 |
|---|--------------------------|------------------|-------------------|--------------------------|
| Furniture & fixtures | \$ 12,278 | \$ - | \$ - | \$ 12,278 |
| Equipment | 113,689 | 28,047 | - | 141,736 |
| Leasehold improvements | 10,950 | - | - | 10,950 |
| Total | 136,917 | 28,047 | - | 164,964 |
| Less accumulated depreciation: | | | | |
| Furniture & fixtures | 5,382 | 1,228 | - | 6,610 |
| Equipment | 56,059 | 22,009 | - | 78,068 |
| Leasehold improvements | 9,125 | 1,825 | - | 10,950 |
| Total | 70,566 | 25,063 | - | 95,628 |
| Net investment in capital assets | \$ 66,351 | \$ 2,985 | \$ - | \$ 69,336 |

7. LEASE COMMITMENTS

The Organization has two leases for studio and administrative space in Des Moines. The leases have been classified as operating leases and, accordingly, rent is charged to expense as incurred. The first lease expires on January 31, 2019 and requires a minimum monthly base rent of \$3,400 through January 31, 2019. The lease agreement requires the payment of monthly pass-through charges for the Organization's share of utilities, services and taxes. The second lease expires December 31, 2017 and requires a minimum monthly base rent of \$2,035.

Lease expense charged to operations for base rent and pass-through charges for the years ended June 30, 2017 and 2016 totaled \$93,996 and \$90,993, respectively.

Future minimum lease payments under all non-cancellable operating leases for the next two years are as follows:

| Year Ending June 30, | Amount |
|-----------------------------|------------------|
| 2018 | \$ 40,800 |
| 2019 | 23,800 |
| | \$ 64,600 |

8. COMPENSATED ABSENCES

Employees of the Organization are paid through Aureon HR, Inc. and accumulate vacation and sick leave. Accumulated leave, or compensated absences, is included in salaries and wages payable. It is the policy of the Organization to liquidate these accrued benefits under specific circumstances. Accrued vacation is paid at 100% of the employees' hourly rate upon retirement, death or termination. As of June 30, 2017 and 2016, the amount to liquidate accrued vacation leave is approximately \$305,071 and \$282,748, respectively.

9. EMPLOYEE BENEFITS

Employees of the Organization participate in the Iowa Public Radio Defined Contribution Plan administered by Teachers Insurance and Annuity Association - College Retirement Equity Fund ("TIAA-CREF"). The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Directors

establishes and amends the plan's provisions and contribution requirements. As required by IPR's policy, all eligible employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF for years 2017 and 2016, each employee through the fifth year of employment contributed 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The Organization, through the fifth year of employment, contributed 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800. Upon completion of five years of service, the participant contributed 5% and the Organization contributed 10% on all earnings.

The Organization's required and actual contributions totaled \$197,038 and \$182,653 respectively for the years ended June 30, 2017 and 2016. The required and actual contributions of the employees totaled \$98,520 and \$91,327, respectively for the years ended June 30, 2017 and 2016.

10. NOTES PAYABLE

The Organization has the following note payable outstanding at June 30, 2017:

| <u>Debt</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|-------------------|---------------------------|
| Iowa State University, Note due 12/30/2016, interest rate of 3.0% | \$ 61,536 | \$ - | \$ 61,536 | \$ - |

11. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are subject to insurance coverage of catastrophic property, general liability, employee dishonesty, worker's compensation, multi-media liability and director and officers' policies.

12. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for possible adjustment or disclosure through November 29, 2017 which is the date the financial statements were available to be issued.

As of the date of this report, the Organization does not have any outstanding construction commitments.

Supplemental Information

IOWA PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

| | Program Services | | | | Support Services | | | |
|---------------------------------|----------------------------|------------------------------|---------------------------------|------------------------|------------------------|--------------------------------------|------------------------|--------------|
| | Programming and Production | Broadcasting and Engineering | Program Information & Promotion | Total Program Services | Management and General | Fundraising & Membership Development | Total Support Services | Total |
| Contribution expense - stations | \$ - | \$ - | \$ - | \$ - | \$ 1,945,624 | \$ - | \$ 1,945,624 | \$ 1,945,624 |
| Salaries, wages and benefits | 977,156 | 533,689 | - | 1,510,845 | 565,000 | 691,624 | 1,256,624 | 2,767,469 |
| Services | 44,373 | 17,201 | 13,325 | 74,899 | 132,214 | 344,986 | 477,200 | 552,099 |
| Facilities | - | - | - | - | 93,996 | - | 93,996 | 93,996 |
| Supplies | 16,606 | 59,570 | - | 76,176 | 10,822 | 26,043 | 36,865 | 113,041 |
| Printing | - | - | 462 | 462 | 1,761 | 104,337 | 106,098 | 106,560 |
| Prof development | 3,896 | 1,910 | - | 5,806 | 4,061 | 3,795 | 7,856 | 13,662 |
| Travel | 11,325 | 3,351 | - | 14,676 | 8,882 | 8,373 | 17,255 | 31,931 |
| Telecommunications | 2,581 | 53,338 | - | 55,919 | - | - | - | 55,919 |
| Recruitment | - | - | - | - | 4,368 | - | 4,368 | 4,368 |
| Postage | - | 47 | - | 47 | 12,951 | 55,184 | 68,135 | 68,182 |
| Programming fees | 116,325 | - | - | 116,325 | - | - | - | 116,325 |
| Depreciation | - | - | - | - | - | - | - | - |
| Repairs & maintenance | - | 16,484 | - | 16,484 | - | - | - | 23,644 |
| Total expenses | \$ 1,172,262 | \$ 685,590 | \$ 13,787 | \$ 1,871,639 | \$ 2,792,595 | \$ 1,234,342 | \$ 4,026,937 | \$ 5,922,220 |

See Independent Auditor's Report.

IOWA PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

| | Program Services | | | | Support Services | | | |
|---------------------------------|----------------------------|------------------------------|---------------------------------|------------------------|------------------------|--------------------------------------|------------------------|--------------|
| | Programming and Production | Broadcasting and Engineering | Program Information & Promotion | Total Program Services | Management and General | Fundraising & Membership Development | Total Support Services | Total |
| Contribution expense - stations | \$ - | \$ - | \$ - | \$ - | \$ 1,450,371 | \$ - | \$ 1,450,371 | \$ 1,450,371 |
| Salaries, wages and benefits | 965,048 | 480,921 | - | 1,445,969 | 529,805 | 650,865 | 1,180,670 | 2,626,639 |
| Services | 41,418 | 22,255 | 20,870 | 84,543 | 108,258 | 312,779 | 421,037 | 505,580 |
| Facilities | - | - | - | - | 90,993 | - | 90,993 | 90,993 |
| Supplies | 8,946 | 56,712 | - | 65,658 | 10,541 | 21,968 | 32,509 | 98,167 |
| Printing | - | - | 775 | 775 | 2,242 | 104,330 | 106,572 | 107,347 |
| Prof development | 4,331 | 452 | - | 4,783 | 6,310 | 4,262 | 10,572 | 15,355 |
| Travel | 9,629 | - | - | 9,629 | 7,377 | 6,195 | 13,572 | 23,201 |
| Telecommunications | 2,407 | 65,885 | - | 68,292 | - | - | - | 68,292 |
| Recruitment | - | - | - | - | 10,436 | - | 10,436 | 10,436 |
| Postage | - | - | - | - | 14,667 | 52,081 | 66,748 | 66,748 |
| Programming fees | 103,351 | - | - | 103,351 | - | - | - | 103,351 |
| Depreciation | - | - | - | - | - | - | - | - |
| Repairs & maintenance | - | 6,509 | - | 6,509 | 8,869 | - | 8,869 | 25,063 |
| Total expenses | \$ 1,135,130 | \$ 632,734 | \$ 21,645 | \$ 1,789,509 | \$ 2,239,869 | \$ 1,152,480 | \$ 3,392,349 | \$ 5,206,921 |

See Independent Auditor's Report.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Iowa Public Radio, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Iowa Public Radio, Inc. (a nonprofit), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, and the changes in its net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified
Public Accountants

Forensic Accountants
Society of North America

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Nearmyer & Associates, P.C." The signature is stylized and cursive.

NEARMYER & ASSOCIATES, P.C.
Certified Public Accountants
Urbandale, Iowa

November 29, 2017