

**Maine Public Broadcasting Corporation
d/b/a**



**Financial Report
June 30, 2011**

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Independent Auditors' Report

To the Board of Trustees
Maine Public Broadcasting Corporation
d/b/a Maine Public Broadcasting Network
Lewiston, Maine

We have audited the accompanying statements of financial position of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Macdonald Page & Co LLC

South Portland, Maine
October 7, 2011

Statements of Financial Position

June 30,

ASSETS	2011	2010
Current Assets		
Cash and cash equivalents	\$ 1,198,872	\$ 2,006,296
Cash and short-term investments designated for capital purposes	349,563	347,322
Accounts and grants receivable	414,836	5,494
Pledges receivable within one year (net)	1,417,820	1,159,558
Prepaid expenses	119,418	74,132
Total Current Assets	<u>3,500,509</u>	<u>3,592,802</u>
Property and Equipment		
Digital Conversion Equipment		
Broadcast equipment	10,700,915	11,218,262
Accumulated depreciation	(7,163,021)	(7,185,179)
Total Digital Conversion Equipment	<u>3,537,894</u>	<u>4,033,083</u>
Other Property and Equipment		
Land and improvements	259,978	259,978
Buildings and improvements	4,500,783	4,417,344
Broadcast equipment	10,976,750	11,147,590
Office equipment and furniture	3,040,045	2,800,511
Automotive equipment	609,551	550,346
	<u>19,387,107</u>	<u>19,175,769</u>
Accumulated depreciation	(14,084,262)	(14,415,289)
Total Other Property and Equipment	<u>5,302,845</u>	<u>4,760,480</u>
Other Assets		
Unemployment compensation deposit	19,791	19,781
Investments - long-term	4,076,908	3,380,747
Pledges receivable after one year	540,000	582,000
Total Other Assets	<u>4,636,699</u>	<u>3,982,528</u>
Total Assets	<u>\$ 16,977,947</u>	<u>\$ 16,368,893</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 71,508	\$ 174,264
Accrued expenses	556,989	596,938
Total Current Liabilities	<u>628,497</u>	<u>771,202</u>
Long-Term Liabilities		
Accrued postretirement benefits	116,864	124,464
Total Liabilities	<u>745,361</u>	<u>895,666</u>
Net Assets		
Unrestricted		
Operations	6,281,895	5,922,954
Board designated investment	3,747,107	3,097,954
Digital Television Conversion	1,315,467	1,490,243
	<u>11,344,469</u>	<u>10,511,151</u>
Temporarily restricted	4,672,179	4,746,138
Permanently restricted	215,938	215,938
Total Net Assets	<u>16,232,586</u>	<u>15,473,227</u>
Total Liabilities and Net Assets	<u>\$ 16,977,947</u>	<u>\$ 16,368,893</u>

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

Statements of Activities

Year Ended June 30, 2011

With Summarized Comparative Totals For 2010

	2011			2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 3,578,301	\$ 463,387		\$ 4,041,688
State of Maine Corporation for Public Broadcasting	1,902,198			1,902,198
Contributions	1,504,736	188,819		1,504,736
Auction	965,191			965,191
Underwriting	378,543	1,589,498		378,543
Government grants				1,589,498
Interest on short-term investments	657,412			657,412
Amount allocated under spending formula	4,362			4,362
Other	140,000			140,000
In-kind	145,912			145,912
Net assets released from restrictions	34,855			34,855
	2,004,749	(2,004,749)		
Total Operating Revenues and Support	<u>11,316,259</u>	<u>236,955</u>		<u>11,553,214</u>
Operating Expenses				
Program service				
Technical	2,098,875			2,098,875
Programming and production	4,444,543			4,444,543
Public information	210,107			210,107
	<u>6,753,525</u>			<u>6,753,525</u>
Development	2,245,010			2,245,010
Administration	1,355,865			1,355,865
Depreciation (excluding DTV conversion)	602,888			602,888
Total Operating Expenses	<u>10,957,288</u>			<u>10,957,288</u>
Changes in Net Assets from Operations	<u>358,971</u>	<u>236,955</u>		<u>595,926</u>
Non-Operating Activities				
Contributions	46,639			46,639
Investment income	700,096	58,425		758,521
Amount allocated under spending formula	(140,000)			(140,000)
Loss on bad debts	(16,253)			(16,253)
Depreciation on DTV conversion	(485,474)			(485,474)
Net assets released from restrictions	369,339	(369,339)		
Change in Net Assets - Non-Operating	<u>474,347</u>	<u>(310,914)</u>		<u>163,433</u>
Change in Net Assets	<u>833,318</u>	<u>(73,959)</u>		<u>759,359</u>
Net Assets, Beginning of Year	<u>10,511,151</u>	<u>4,746,138</u>	<u>\$ 215,938</u>	<u>15,473,227</u>
Net Assets, End of Year	<u>\$ 11,344,469</u>	<u>\$ 4,672,179</u>	<u>\$ 215,938</u>	<u>\$ 16,232,586</u>
				<u>\$ 15,473,227</u>

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

Statements of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 3,566,370	\$ 369,514		\$ 3,935,884
State of Maine Corporation for Public Broadcasting	1,954,235			1,954,235
Contributions	1,574,366			1,574,366
Auction	1,052,327	26,945		1,079,272
Underwriting	391,933			391,933
Government grants		1,479,104		1,479,104
Interest on short-term investments	33,016			33,016
Amount allocated under spending formula	17,384			17,384
Other	140,000			140,000
In-kind	136,515			136,515
In-kind	58,666			58,666
Net assets released from restrictions	1,614,110	(1,614,110)		
Total Operating Revenues and Support	<u>10,538,922</u>	<u>261,453</u>		<u>10,800,375</u>
Operating Expenses				
Program service				
Technical	1,928,460			1,928,460
Programming and production	4,288,424			4,288,424
Public information	410,308			410,308
	<u>6,627,192</u>			<u>6,627,192</u>
Development	2,239,383			2,239,383
Administration	1,340,569			1,340,569
Depreciation (excluding DTV conversion)	589,707			589,707
Total Operating Expenses	<u>10,796,851</u>			<u>10,796,851</u>
Changes in Net Assets from Operations	<u>(257,929)</u>	<u>261,453</u>		<u>3,524</u>
Non-Operating Activities				
Contributions	325,723			325,723
Investment income	303,435	19,142		322,577
Amount allocated under spending formula	(140,000)			(140,000)
Loss on bad debts	(11,366)			(11,366)
Depreciation on digital television conversion	(790,061)			(790,061)
Net assets released from restrictions	565,912	(565,912)		
Change in Net Assets - Non-Operating	<u>253,643</u>	<u>(546,770)</u>		<u>(293,127)</u>
Change in Net Assets	(4,286)	(285,317)		(289,603)
Net Assets, Beginning of Year	<u>10,515,437</u>	<u>5,031,455</u>	<u>\$ 215,938</u>	<u>15,762,830</u>
Net Assets, End of Year	<u>\$ 10,511,151</u>	<u>\$ 4,746,138</u>	<u>\$ 215,938</u>	<u>\$ 15,473,227</u>

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

Statements of Cash Flows

Years Ended June 30,

	2011	2010
Cash flows from operating activities:		
Net increase (decrease) in total net assets	<u>\$ 759,359</u>	<u>\$ (289,603)</u>
Adjustments to reconcile net increase (decrease) in total net assets to net cash flows from operating activities:		
Depreciation	1,088,362	1,379,768
Loss on bad debts	16,253	11,366
Net loss on disposal of property and equipment	46,350	2,086
Net gain on long-term investments	(706,420)	(251,955)
Contributions and grants restricted for long-lived assets	(565,412)	(33,016)
(Increase) decrease in operating assets:		
Accounts and grants receivable	(38,933)	6,579
Pledges receivable	(216,262)	(236,040)
Prepaid expenses	(45,296)	9,493
Increase (decrease) in operating liabilities:		
Accounts payable	(102,756)	79,611
Accrued expenses	(39,949)	(88,027)
Deferred revenue		(70,670)
Accrued postretirement benefits	(7,600)	(7,600)
Total adjustments	<u>(571,663)</u>	<u>801,595</u>
Net cash flows from operating activities	<u>187,696</u>	<u>511,992</u>
Cash flows from investing activities		
Additions to property and equipment	(1,181,888)	(317,360)
Proceeds from the sale of investments - short-term		512,656
Purchase of investments - short-term		(250,000)
Proceeds from the sale of investments - long-term	1,309,612	1,309,023
Purchase of investments - long-term	(1,299,353)	(1,364,290)
Net cash flows from investing activities	<u>(1,171,629)</u>	<u>(109,971)</u>
Cash flows from financing activities		
Receipt of contributions and grants for long-lived assets	178,750	33,016
Net cash flows from financing activities	<u>178,750</u>	<u>33,016</u>
Change in cash and cash equivalents	(805,183)	435,037
Cash and cash equivalents, beginning of year	<u>2,103,618</u>	<u>1,668,581</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,298,435</u></u>	<u><u>\$ 2,103,618</u></u>
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 1,198,872	\$ 2,006,296
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	99,563	97,322
	<u><u>\$ 1,298,435</u></u>	<u><u>\$ 2,103,618</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 13,023	\$ 9,100

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

Statements of Functional Expenses

Year Ended June 30, 2011
 With Summarized Comparative Totals for 2010

	2011						2010		
	Program Services			Support Services			Total	Total	Total
	Technical	Programming and Production	Public Information	Digital Television	Development	Administration			
Salaries and benefits	\$ 970,117	\$ 2,149,996	\$ 107,545	\$3,227,658	\$ 1,313,097	\$ 756,364	\$ 5,297,119	\$ 5,001,699	
Programming	381,437	1,810,496		1,810,496			1,810,496	1,846,275	
Professional services		276,360	43,246	701,043	201,434	93,524	996,001	881,915	
Printing		20	15,383	15,403	218,741	2,522	236,666	269,097	
Electricity	313,475			313,475		40,660	354,135	364,747	
Maintenance	159,360	6,041		165,401		92,095	257,496	261,587	
Postage	2,142	103	24,836	27,081		10,464	173,613	198,550	
Travel and conference	31,635	43,791	28	75,454	34,356	35,264	145,074	141,241	
Rent	95,815	12,322		108,137		79,825	187,962	205,984	
Insurance	22,221	70,205	4,399	96,825	47,534	16,994	161,353	221,390	
Telephone	26,896	7,029		33,925	5,760	52,101	91,786	93,033	
Premiums					120,482		120,482	171,412	
Miscellaneous	11,778	12,045	2,733	26,556	67,254	68,534	162,344	122,368	
Office and technical supplies	17,464	12,717	2,523	32,704	4,353	20,094	57,151	67,646	
Minor equipment		5,795		5,795		19,594	25,389	69,734	
Computer services	64,324			64,324			64,324	88,762	
Bank fees and discounts					92,040	3,919	95,959	87,498	
Advertising			9,414	9,414		820	10,234	20,285	
Special events					1,342		1,342	6,184	
Professional dues		30,082		30,082	1,826	30,738	62,646	56,873	
Strategic initiative/training						18,236	18,236	7,612	
Video tape		6,125		6,125	243		6,368	7,375	
Subscriptions	2,211	1,416		3,627	480	1,094	5,201	6,777	
Other taxes						13,023	13,023	9,100	
Subtotal	2,098,875	4,444,543	210,107	6,753,525	2,245,010	1,355,865	10,354,400	10,207,144	
Depreciation	420,152	47,238	8,648	961,512	93,443	33,407	1,088,362	1,379,768	
Totals	\$2,519,027	\$ 4,491,781	\$ 218,755	\$7,715,037	\$ 2,338,453	\$ 1,389,272	\$11,442,762	\$11,586,912	

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

Statement of Functional Expenses

Year Ended June 30, 2010

	Program Services				Support Services			Total
	Technical	Programming and Production	Public Information	Digital Television	Development	Administration	Total	
Salaries and benefits	\$ 920,832	\$ 1,995,697	\$ 236,854	\$ 3,153,383	\$ 1,155,940	\$ 692,376	\$ 5,001,699	
Programming		1,846,275		1,846,275			1,846,275	
Professional services	254,284	234,405	72,297	560,986	246,979	73,950	881,915	
Printing		393	20,143	20,536	247,571	990	269,097	
Electricity	316,699			316,699		48,048	364,747	
Maintenance	157,427	4,458		161,885		99,702	261,587	
Postage	1,755	131	38,680	40,566	147,204	10,780	198,550	
Travel and conference	28,162	33,099	7,435	68,696	43,217	29,328	141,241	
Rent	88,116	9,298		97,414		108,570	205,984	
Insurance	28,992	100,153	7,907	137,052	59,301	25,037	221,390	
Telephone	26,847	7,225		34,072	4,642	54,319	93,033	
Premiums					171,412		171,412	
Miscellaneous	1,345	5,812	4,484	11,641	62,786	47,941	122,368	
Office and technical supplies	11,794	17,591	2,260	31,645	7,660	28,341	67,646	
Minor equipment		190		190		69,544	69,734	
Computer services	88,762			88,762	85,201	2,297	88,762	
Bank fees and discounts			19,650	19,650		635	87,498	
Advertising					6,184		20,285	
Special events					915	30,848	56,873	
Professional dues			340	25,110		7,612	7,612	
Strategic initiative/training		24,770		7,324	51		7,375	
Video tape		7,324		5,306	320	1,151	6,777	
Subscriptions	3,445	1,603	258				9,100	
Other taxes								
Totals	1,928,460	4,288,424	410,308	6,627,192	2,239,383	1,340,569	10,207,144	
Subtotal	298,689	110,767	15,450	1,214,967	115,876	48,925	1,379,768	
Depreciation	\$ 2,227,149	\$ 4,399,191	\$ 425,758	\$ 7,842,159	\$ 2,355,259	\$ 1,389,494	\$ 11,586,912	

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

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network (MPBN) is a statewide telecommunications system: Maine Public Television (five stations) and Maine Public Radio (seven stations). Serving the people of Maine and beyond, MPBN is a nonprofit, noncommercial public broadcast entity. It is funded by a unique public/private partnership. MPBN is affiliated with the Public Broadcasting System (PBS), National Public Radio (NPR) and American Public Radio International (PRI).

Basis of Accounting

MPBN's financial statements have been prepared using the accrual method of accounting.

Basis of Presentation

MPBN is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of MPBN and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MPBN.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable expected to be received after more than one year are discounted to the present value of their future cash flows using a risk free rate of return after providing an allowance for uncollectible pledges. Charitable lead interest trusts are included in pledges receivable at the present value of future distributions using a 6.5% discount rate.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at estimated fair value at date of receipt. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated lives of such assets range between three and thirty-three years. MPBN capitalizes the cost of purchases in excess of \$2,000. Costs of repairs and maintenance are charged to operating expenses as incurred. Upon sale or retirement, the cost and accumulated depreciation are removed and any resulting gain or loss is included in the statement of activities.

Donated Assets

Donated marketable securities and other noncash donations are recorded at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments

Investments are stated at fair value. The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year.

MPBN's investment policy and spending policy for long-term investments is as follows:

Investment Objective: MPBN invests for long-term growth of capital with moderate income requirements. Growth accounts will experience moderate to high levels of portfolio fluctuations to achieve long-term objectives.

Return Objective: Consistent with our asset class assumptions, the long-term growth objectives for this mix of assets is approximately 7.36% annually.

Risk Tolerance: MPBN recognizes that the long-range objective implies a high level of equity exposure and consequent market price volatility. The risk of the equity and fixed income portfolio shall be consistent with their respective indexes.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments – Continued

Asset Allocation: The asset allocation range shall be: 65% - 85% in equities, 15% - 35% in fixed income and up to 10% in alternative asset classes.

Time Horizon: Long-term.

Spending Policy: Trustees have adopted a 4% annual spending rule based on a three year average of market value at prior fiscal year end (June 30).

Performance Measurement: The equity portfolio will be measured against the S&P 500, with small-cap, mid-cap, and international equities being measured against the S&P Small-Cap 600, S&P Mid-Cap 400, and the MSCI EAFE Indices, respectively. The fixed income portfolio will be measured against the Barclays Capital Intermediate Govt/Credit Index.

Income and net (realized or unrealized) gains on investments of endowment and similar funds are reported as follows:

- as increases in temporarily restricted net assets if the terms of the gift or MPBN's interpretation of relevant state law impose restrictions on the use of the income; or
- as increases in permanently restricted net assets if the terms of the gift requires that they be added to the principal of a permanent endowment fund; or
- as increases in unrestricted net assets in all other cases.

Operating and Non-Operating Activities

The Organization reports its revenues and expenses as operating or non-operating activities in the statement of activities. Non-operating activities include contributions to the board-designated or donor-restricted endowment funds, investment gains and losses of the endowment funds and depreciation related to the digital conversion.

Functional Allocation of Expenses

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

Income Taxes

MPBN is exempt from federal income taxes under the provisions of tax code Section 501(c)(3). Certain activities of the Organization are unrelated business income and, therefore, subject to federal and state income tax.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes – Continued

Management has evaluated MPBN's tax positions and concluded that as of June 30, 2011 and 2010, MPBN does not believe that it has taken any tax positions that would require the recording of any additional tax liabilities nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. MPBN is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ending June 30, 2008 through June 30, 2011.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MPBN considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Any cash classified as long-term investments is not considered a cash equivalent because it is not designated for current use by the Board of Trustees.

Fair Value Measurements

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, MPBN uses various methods including market, income and cost approaches. Based on these approaches, MPBN 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. MPBN 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 in the valuation techniques, MPBN 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 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Reclassification

Certain reclassifications have been made to the 2010 amounts on the statement of activities to conform to the 2011 presentation. There was no effect on previously reported change in net assets.

NOTE 2 – CASH AND CASH EQUIVALENTS

MPBN maintains checking accounts, certificates of deposit and money market accounts at various Maine financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Amounts in excess of FDIC coverage have been collateralized.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 3 – PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give:

	2011	2010
Capital campaign	\$ 24,000	\$ 9,000
Charitable lead interest trust	562,000	593,000
Membership contributions	662,180	528,538
General	173,819	66,483
Underwriting	734,614	703,099
	<u>2,156,613</u>	<u>1,900,120</u>
Less allowance for uncollectible pledges and discount	198,793	158,562
Total unconditional promises to give	<u>\$ 1,957,820</u>	<u>\$ 1,741,558</u>
Amount due in:		
Less than one year	\$ 1,616,613	\$ 1,318,120
One to five years	206,000	204,000
Thereafter	334,000	378,000
	<u>\$ 2,156,613</u>	<u>\$ 1,900,120</u>

NOTE 4 – PROPERTY AND EQUIPMENT

A portion of MPBN's property and equipment was purchased with funds received from the National Telecommunications and Information Administration (NTIA). The NTIA holds a lien on this property for a period of 10 years after the project has been completed, during which time MPBN is unable to sell or otherwise dispose of the assets. The total cost of equipment purchased with such funds was \$4,439,354 at June 30, 2011 and 2010, respectively.

NOTE 5 – CASH AND SHORT-TERM INVESTMENTS

Investments at approximate fair value based on quoted market prices as of June 30 are as follows:

	2011	2010
Cash	\$ 99,563	\$ 97,322
Certificate of deposit	250,000	250,000
	<u>\$ 349,563</u>	<u>\$ 347,322</u>

NOTE 6 – INVESTMENT – LONG-TERM AND APPRECIATION OF ENDOWMENT INVESTMENTS

MPBN's Board of Trustees has interpreted state law as requiring the preservation of the original gifts to donor-restricted endowment funds as permanently restricted net assets. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of income and appreciation, amounts not considered permanently restricted are classified as temporarily restricted net assets until appropriated for expenditure. MPBN's Finance Committee elected to spend \$140,000 out of endowment investments for each of the fiscal years ended June 30, 2011 and 2010. This amount was less than the amount allowed to be spent under MPBN's spending policy as described in Note 1.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 6 – INVESTMENTS – LONG-TERM AND APPRECIATION OF ENDOWMENT INVESTMENTS – CONTINUED

MPBN's investments at June 30 consist of the following:

	2011	2010
Cash and money market accounts	\$ 75,829	\$ 152,663
U.S. Government Agency Obligations	892,402	881,295
Equity Securities	3,078,197	2,323,449
Mutual Funds	30,480	23,340
	<u>\$ 4,076,908</u>	<u>\$ 3,380,747</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 113,571	\$ 215,938	\$ 329,509
Board-designated endowment funds	\$ 3,747,399			3,747,399
Total funds	<u>\$ 3,747,399</u>	<u>\$ 113,571</u>	<u>\$ 215,938</u>	<u>\$ 4,076,908</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2010, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (3,749)	\$ 66,563	\$ 215,938	\$ 278,752
Board-designated endowment funds	3,101,995			3,101,995
Total funds	<u>\$ 3,098,246</u>	<u>\$ 66,563</u>	<u>\$ 215,938</u>	<u>\$ 3,380,747</u>

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 relevant state law requires MPBN to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2011 and the deficiencies amounted to \$3,749 as of June 30, 2010.

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 3,098,246	\$ 66,563	\$ 215,938	\$ 3,380,747
Investment return:				
Investment income	51,583	518		52,101
Net appreciation	648,513	57,907		706,420
Contributions	77,640			77,640
Appropriation of endowment assets for expenditure	(128,583)	(11,417)		(140,000)
End of year	<u>\$ 3,747,399</u>	<u>\$ 113,571</u>	<u>\$ 215,938</u>	<u>\$ 4,076,908</u>

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 6 – INVESTMENTS – LONG-TERM AND APPRECIATION OF ENDOWMENT INVESTMENTS – CONTINUED

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 2,805,335	\$ 52,252	\$ 215,938	\$ 3,073,525
Investment return:				
Investment income	70,814			70,814
Net appreciation	232,813	19,142		251,955
Contributions	124,453			124,453
Appropriation of endowment assets for expenditure	(135,169)	(4,831)		(140,000)
End of year	<u>\$ 3,098,246</u>	<u>\$ 66,563</u>	<u>\$ 215,938</u>	<u>\$ 3,380,747</u>

NOTE 7 – LINES OF CREDIT

MPBN has two \$300,000 unsecured lines of credit with variable interest rates. There were no outstanding balances on the lines of credit at June 30, 2011 and 2010 and the lines of credit were not used during the years then ended. The lines of credit mature in October 2011 and February 2012 and are subject to review at that time.

NOTE 8 – POSTRETIREMENT BENEFITS

MPBN sponsored a defined benefit postretirement medical benefit plan. The Plan provided that employees who retired from active status after reaching age 55 and had completed 10 years of service or became disabled (regardless of service) were eligible. Eligible employees who retired or became disabled and their spouses (if married) continued to have 90% of their medical premiums paid by MPBN. When retired or disabled participants reached age 65, Medicare became their primary plan and MPBN's plan became secondary. MPBN continued to pay 90% of medical coverage for the secondary coverage. The Plan was curtailed during the year ended June 30, 1997.

In 1997, MPBN offered to continue special benefits to its employees who elected voluntary retirement from employment by a specified period of time and notified MPBN by October 30, 1997. Because a significant reduction in future years of service to fill eligibility of active participants has occurred, the offer of special termination benefits resulted in a plan curtailment. The accumulated postretirement benefit obligation at June 30, 2011 and 2010 was \$116,864 and \$124,464, respectively.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 9 – FAIR VALUES

Fair values of assets measured on a recurring basis are as follows:

	Total	Level 1	Level 2	Level 3
June 30, 2011:				
Cash equivalents	\$ 75,829	\$ 75,829		
U.S. Government Obligations	892,402	892,402		
Equity securities	3,078,197	3,078,197		
Mutual funds	30,480	30,480		
Pledges receivable - Beneficial interest in charitable lead interest trust	562,000		\$ 562,000	
Total	\$ 4,638,908	\$ 4,076,908	\$ 562,000	\$ -
June 30, 2010:				
Cash equivalents	\$ 152,663	\$ 152,663		
U.S. Government Obligations	881,295	881,295		
Equity securities	2,323,449	2,323,449		
Mutual funds	23,340	23,340		
Pledges receivable - Beneficial interest in charitable lead interest trust	593,000		\$ 593,000	
Total	\$ 3,973,747	\$ 3,380,747	\$ 593,000	\$ -

NOTE 10 – RETIREMENT PLAN

Employees participate in individual annuity contracts through Teachers Insurance and Annuity Association. Contributions for each annuity are made both by the participant and MPBN. MPBN contributes between 3% and 6.5% of an employee's salary on a graduated rate based upon an employee's contribution. MPBN's contribution amounted to \$218,886 and \$216,496 in 2011 and 2010, respectively.

NOTE 11 – HEALTH INSURANCE PLAN

MPBN's health plan is a self-insured vehicle with a stop-loss component. Claims are handled through an independent third party benefits administrator. In the fiscal years 2011 and 2010, MPBN's reinsurance policy provided payment for per person annual claim costs in excess of \$40,000. Total net cost to MPBN for claims, administration and stop loss insurance totaled \$715,726 and \$628,481 for the years ended June 30, 2011 and 2010, respectively. The statement of financial position includes \$83,039 and \$83,944 of accrued medical claims as of June 30, 2011 and 2010, respectively.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 12 – DONATED SUPPORT

The value of certain volunteer services of approximately \$73,800 and \$105,000 in 2011 and 2010, respectively, has not been recorded in the accompanying financial statements because it does not meet the criteria for being recorded as revenue and expense under generally accepted accounting principles. MPBN has recognized the value of donated volunteer services for information purposes only. The value of the volunteer services is based on valuation rates and job classifications estimated by MPBN using industry averages and historical information.

NOTE 13 – RELATED PARTY

MPBN purchases various products and services from the University of Maine System, a related party. The total amount paid to the University of Maine System approximately totaled \$183,000 and \$173,000 during the years ended June 30, 2011 and 2010, respectively. The purchases included fuel, printing and telecommunication services.

NOTE 14 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	Balance June 30, 2010	Revenue	Net Assets Released and Losses	Balance June 30, 2011
Membership pledges	\$ 369,514	\$ 463,387	\$ (369,514)	\$ 463,387
Underwriting pledges	703,099	1,589,498	(1,557,983)	734,614
General	66,945	173,819	(66,945)	173,819
Donated building	395,177		(16,816)	378,361
	<u>1,534,735</u>	<u>2,226,704</u>	<u>(2,011,258)</u>	<u>1,750,181</u>
Charitable lead interest trust	593,000		(31,000)	562,000
Capital campaign pledges	9,000	15,000		24,000
Endowment gains	66,563	58,425	(11,417)	113,571
	<u>668,563</u>	<u>73,425</u>	<u>(42,417)</u>	<u>699,571</u>
Digital television	<u>2,542,840</u>		<u>(320,413)</u>	<u>2,222,427</u>
Totals	<u>\$ 4,746,138</u>	<u>\$ 2,300,129</u>	<u>\$ (2,374,088)</u>	<u>\$ 4,672,179</u>

NOTE 15 – CONTINGENCIES

Grants

MPBN receives funding in the form of grants from the Corporation for Public Broadcasting (CPB) which is a private, nonprofit corporation, the National Telecommunications and Information Administration (NTIA), and the Department of Agriculture Rural Development (RD). The grants are governed by various rules and regulations and are subject to audit and adjustment by the grantors. Therefore, to the extent that MPBN has not complied with the rules and regulations governing the grants, repayments to CPB, NTIA, or RD may be required. In the opinion of MPBN, there are no significant contingent liabilities relating to compliance with the rules and regulations governing these grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 16 – LEASES

MPBN has an operating lease dated November 2010 for its Portland facility. The lease requires monthly rental payments of \$5,360 plus property taxes, to be adjusted annually for inflation. The lease has an expiration date of November 2020.

MPBN also has operating leases for vehicles at various monthly payments.

MPBN also has 10 operating leases for land used for broadcast transmission equipment at various monthly payments. These leases are for terms through year 2019 with annual payments ranging from \$500 to \$20,000.

The approximate minimum future rental commitment under the above operating leases is as follows:

Years Ending June 30,

2012	\$ 191,000
2013	185,000
2014	167,000
2015	172,000
2016	161,000
Thereafter	371,000
	<u>\$ 1,247,000</u>

Rent expense for the above leases for the years ended June 30, 2011 and 2010 approximates \$188,000 and \$206,000, respectively.

NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the date of the auditors' report, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

Independent Auditors' Report on Supplementary Financial Information

To the Trustees
Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network
Lewiston, Maine

We have audited the financial statements of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network as of and for the years ended June 30, 2011 and 2010, and our report thereon dated October 7, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary financial information contained on pages 19 and 20, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules of revenues and expenses are not presented in accordance with generally accepted accounting principles as they do not present the three classes of net assets. Such information contained in accompanying schedules has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Macdonald Page & Co LLC

South Portland, Maine
October 7, 2011

Schedules of Revenues and Expenses

Year Ended June 30, 2011

With Summarized Comparative Totals for 2010

	2011			2010	
	Operations	Investment and Endowment	Digital Television Conversion	Total	Total
Revenue and Gains					
Membership	\$ 4,041,688			\$ 4,041,688	\$ 3,935,884
State of Maine Corporation for Public Broadcasting	1,902,198			1,902,198	1,954,235
Underwriting	1,504,736			1,504,736	1,574,366
Contributions	1,589,498			1,589,498	1,479,104
Auction	1,154,010	\$ 46,639		1,200,649	1,404,995
Other	378,543			378,543	391,933
Government grants	155,626		\$ (9,714)	145,912	136,515
Interest on short-term investments	657,412			657,412	33,016
Investment income	4,362			4,362	17,384
Other losses		758,521		758,521	322,577
Amounts allocated under spending formula In-kind	(16,253)	(140,000)		(16,253)	(11,366)
	140,000			34,855	58,666
	34,855				
Total Revenues and Gains	<u>11,546,675</u>	<u>665,160</u>	<u>(9,714)</u>	<u>12,202,121</u>	<u>11,297,309</u>
Expenses					
Salaries/wages/benefits	5,297,119			5,297,119	5,001,695
Radio	1,032,485			1,032,485	999,917
Television/education	1,178,500			1,178,500	1,195,285
Web - online services	72,727			72,727	50,296
Technology and operations	1,106,538			1,106,538	978,636
Marketing/communications	98,245			98,245	165,548
Development	884,378			884,378	1,050,597
Administration	684,408			684,408	765,170
Subtotal	<u>10,354,400</u>			<u>10,354,400</u>	<u>10,207,144</u>
Depreciation	602,888		485,474	1,088,362	1,379,768
Total Expenses	<u>10,957,288</u>		<u>485,474</u>	<u>11,442,762</u>	<u>11,586,912</u>
Net Revenues Over/(Under) Expenses	589,387	665,160	(495,188)	759,359	(289,603)
Transfers					
Net Revenues Over/(Under) Expenses After Transfers	<u>\$ 589,387</u>	<u>\$ 665,160</u>	<u>\$ (495,188)</u>	<u>\$ 759,359</u>	<u>\$ (289,603)</u>

Schedules of Unrestricted Net Assets

June 30, 2011 and 2010

	2011			2010			Investment and Endowment Board Designated as Endowment	DTV	Total
	Working Capital	Venture Fund	Operations	Investment in Property and Equipment	Total Operations	Digital Television			
Beginning of Year	\$ 1,093,218	\$ 154,236	\$ 310,197	\$ 4,365,303	\$ 5,922,954	\$ 3,097,954	\$ 1,490,243	\$ 10,511,151	
Changes in Net Assets	(122,024)	1,083,853	(1,162,069)	(602,888)	358,941	649,153	(174,776)	833,318	
Interfund Transfers	\$ 971,194	\$ 154,236	\$ 231,981	\$ 4,924,484	\$ 6,281,895	\$ 3,747,107	\$ 1,315,467	\$ 11,344,469	
Beginning of Year	\$ 802,782	\$ 154,236	\$ 355,911	\$ 4,637,950	\$ 5,950,879	\$ 2,805,700	\$ 1,758,858	\$ 10,515,437	
Changes in Net Assets	60,432		271,346	(589,707)	(257,929)	522,258	(268,615)	(4,286)	
Interfund Transfers	230,004		(317,060)	317,060	230,004	(230,004)			
	\$ 1,093,218	\$ 154,236	\$ 310,197	\$ 4,365,303	\$ 5,922,954	\$ 3,097,954	\$ 1,490,243	\$ 10,511,151	

See accompanying independent auditors' report on supplementary financial information.