

Maine Public Broadcasting Corporation
d/b/a



Financial Report
June 30, 2014

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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 financial statements of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Board of Trustees
Maine Public Broadcasting Corporation
d/b/a Maine Public Broadcasting Network

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Macpage LLC

South Portland, Maine
October 9, 2014

Statements of Financial Position

June 30,

ASSETS	2014	2013
Current Assets		
Cash and cash equivalents	\$ 1,395,049	\$ 1,155,982
Cash and short-term investments designated for capital purposes	352,225	351,476
Accounts and grants receivable	57,238	577,440
Pledges receivable within one year (net)	2,184,951	1,710,426
Prepaid expenses	159,920	82,131
Total Current Assets	4,149,383	3,877,455
Property and Equipment		
Digital Conversion Equipment		
Broadcast equipment	8,684,240	10,013,293
Accumulated depreciation	(6,466,729)	(7,347,971)
Total Digital Conversion Equipment	2,217,511	2,665,322
Other Property and Equipment		
Land and improvements	259,978	259,978
Buildings and improvements	4,624,939	4,779,389
Broadcast equipment	10,742,915	11,415,570
Office equipment and furniture	2,945,970	3,135,381
Automotive equipment	653,056	669,609
	19,226,858	20,259,927
Accumulated depreciation	(13,391,205)	(14,343,826)
Total Other Property and Equipment	5,835,653	5,916,101
Other Assets		
Unemployment compensation deposit	61,839	19,811
Investments - long-term	4,971,653	4,279,213
Pledges receivable after one year	770,473	534,000
Total Other Assets	5,803,965	4,833,024
Total Assets	\$ 18,006,512	\$ 17,291,902
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 203,041	\$ 586,371
Accrued expenses	695,729	714,209
Unearned revenue		99,912
Total Current Liabilities	898,770	1,400,492
Long-Term Liabilities		
Accrued postretirement benefits	94,064	101,664
Total Liabilities	992,834	1,502,156
Net Assets		
Unrestricted		
Operations	6,474,524	6,255,877
Board designated investment	4,589,200	3,962,567
Digital Television Conversion	872,084	1,018,853
	11,935,808	11,237,297
Temporarily restricted	4,808,722	4,336,511
Permanently restricted	269,148	215,938
Total Net Assets	17,013,678	15,789,746
Total Liabilities and Net Assets	\$ 18,006,512	\$ 17,291,902

Statements of Activities

Year Ended June 30, 2014

With Summarized Comparative Totals For 2013

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues and Support					
Membership	\$ 3,965,444	\$ 701,921		\$ 4,667,365	\$ 4,618,885
State of Maine	1,690,905			1,690,905	1,673,997
Corporation for Public Broadcasting	1,554,378			1,554,378	1,473,775
Contributions	1,250,042	1,031,000		2,281,042	1,397,728
Underwriting		2,148,931		2,148,931	1,802,036
Government grants	380,991			380,991	1,193,892
Interest on short-term investments	2,269			2,269	1,979
Amount allocated under spending formula	150,000			150,000	140,000
Other	223,335			223,335	183,678
In-kind	71,404			71,404	94,773
Loss on disposal of assets	(112,616)			(112,616)	(150,418)
Net assets released from restrictions	3,180,706	(3,180,706)			
Total Operating Revenues and Support	12,356,858	701,146		13,058,004	12,430,325
Operating Expenses					
Program service					
Technical	2,129,379			2,129,379	2,194,796
Programming and production	4,726,704			4,726,704	5,060,467
Public information	406,878			406,878	342,292
	7,262,961			7,262,961	7,597,555
Development	2,593,030			2,593,030	2,468,572
Administration	1,501,278			1,501,278	1,551,774
Depreciation (excluding DTV conversion)	805,425			805,425	764,603
Total Operating Expenses	12,162,694			12,162,694	12,382,504
Changes in Net Assets from Operations	194,164	701,146		895,310	47,821
Non-Operating Activities					
Contributions	49,080		\$ 53,210	102,290	62,322
Investment income	679,489	56,512		736,001	387,318
Amount allocated under spending formula	(150,000)			(150,000)	(140,000)
Depreciation on DTV conversion	(359,669)			(359,669)	(431,674)
Net assets released from restrictions	285,447	(285,447)			
Change in Net Assets - Non-Operating	504,347	(228,935)	53,210	328,622	(122,034)
Change in Net Assets	698,511	472,211	53,210	1,223,932	(74,213)
Net Assets, Beginning of Year	11,237,297	4,336,511	215,938	15,789,746	15,863,959
Net Assets, End of Year	\$ 11,935,808	\$ 4,808,722	\$ 269,148	\$ 17,013,678	\$ 15,789,746

Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 3,983,608	\$ 635,277		\$ 4,618,885
State of Maine	1,673,997			1,673,997
Corporation for Public Broadcasting	1,473,775			1,473,775
Contributions	1,137,728	260,000		1,397,728
Underwriting		1,802,036		1,802,036
Government grants	1,193,892			1,193,892
Interest on short-term investments	1,979			1,979
Amount allocated under spending formula	140,000			140,000
Other	183,678			183,678
In-kind	94,773			94,773
Loss on disposal of assets	(150,418)			(150,418)
Net assets released from restrictions	2,315,189	(2,315,189)		
Total Operating Revenues and Support	<u>12,048,201</u>	<u>382,124</u>		<u>12,430,325</u>
Operating Expenses				
Program service				
Technical	2,194,796			2,194,796
Programming and production	5,060,467			5,060,467
Public information	342,292			342,292
	<u>7,597,555</u>			<u>7,597,555</u>
Development	2,468,572			2,468,572
Administration	1,551,774			1,551,774
Depreciation (excluding DTV conversion)	764,603			764,603
Total Operating Expenses	<u>12,382,504</u>			<u>12,382,504</u>
Changes in Net Assets from Operations	<u>(334,303)</u>	<u>382,124</u>		<u>47,821</u>
Non-Operating Activities				
Contributions	62,322			62,322
Investment income	356,980	30,338		387,318
Amount allocated under spending formula	(140,000)			(140,000)
Depreciation on digital television conversion	(431,674)			(431,674)
Net assets released from restrictions	494,403	(494,403)		
Change in Net Assets - Non-Operating	<u>342,031</u>	<u>(464,065)</u>		<u>(122,034)</u>
Change in Net Assets	<u>7,728</u>	<u>(81,941)</u>		<u>(74,213)</u>
Net Assets, Beginning of Year	<u>11,229,569</u>	<u>4,418,452</u>	<u>\$ 215,938</u>	<u>15,863,959</u>
Net Assets, End of Year	<u>\$ 11,237,297</u>	<u>\$ 4,336,511</u>	<u>\$ 215,938</u>	<u>\$ 15,789,746</u>

Statements of Cash Flows

Years Ended June 30,

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 1,223,932	\$ (74,213)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,165,094	1,196,277
Loss on bad debts	5,788	
Net loss on disposal of property and equipment	112,616	150,418
Net gain on long-term investments	(655,374)	(313,622)
Permanently restricted contributions	(53,210)	
Contributions and grants restricted for long-lived assets	(380,991)	(1,118,804)
(Increase) decrease in operating assets:		
Accounts and grants receivable	24,897	2,334
Pledges receivable	(681,498)	(349,940)
Prepaid expenses	(119,817)	57,572
Increase (decrease) in operating liabilities:		
Accounts payable	(383,330)	(179,881)
Accrued expenses	(18,480)	100,881
Accrued postretirement benefits	(7,600)	(7,600)
Total adjustments	(991,905)	(462,365)
Net cash flows from operating activities	232,027	(536,578)
Cash flows from investing activities		
Purchase of property and equipment	(752,773)	(787,774)
Proceeds from the sale of property and equipment	3,322	
Proceeds from the sale of investments - long-term	626,766	920,563
Purchase of investments - long-term	(663,832)	(951,581)
Net cash flows from investing activities	(786,517)	(818,792)
Cash flows from financing activities		
Receipt of permanently restricted contributions	23,710	
Receipt of contributions and grants for long-lived assets	770,596	1,070,730
Net cash flows from financing activities	794,306	1,070,730
Change in cash and cash equivalents	239,816	(284,640)
Cash and cash equivalents, beginning of year	1,257,458	1,542,098
Cash and cash equivalents, end of year	\$ 1,497,274	\$ 1,257,458
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 1,395,049	\$ 1,155,982
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	102,225	101,476
	\$ 1,497,274	\$ 1,257,458
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 10,394	\$ 7,595

Noncash investing and financing activities in 2013 consist of financing the purchase of equipment through \$502,375 in trade accounts payable.

Statements of Functional Expenses

Year Ended June 30, 2014

With Summarized Comparative Totals for 2013

	2014								2013
	Program Services				Support Services				
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total	Total
Salaries and benefits	\$ 961,045	\$ 2,457,066	\$ 272,217		\$ 3,690,328	\$ 1,569,164	\$ 813,017	\$ 6,072,509	\$ 6,291,785
Programming		1,707,892			1,707,892			1,707,892	1,707,879
Professional services	411,272	341,383	39,362		792,017	199,088	207,618	1,198,723	1,260,564
Printing		20	27,203		27,223	226,620	2,322	256,165	217,135
Electricity	266,537				266,537		31,359	297,896	313,670
Maintenance	164,999	7,983			172,982		97,075	270,057	250,641
Postage	2,590	439	34,825		37,854	125,966	6,621	170,441	171,189
Travel and conference	35,329	32,002	2,654		69,985	27,102	25,648	122,735	149,776
Rent	121,570	7,825			129,395		96,518	225,913	218,796
Insurance	25,509	78,824	7,653		111,986	56,631	20,408	189,025	164,058
Telephone	38,074	15,322			53,396	5,521	60,876	119,793	109,729
Premiums						161,448		161,448	149,818
Miscellaneous	3,667	11,138	8,485		23,290	84,248	37,007	144,545	150,815
Office and technical supplies	13,543	16,303	4,948		34,794	3,973	12,998	51,765	82,611
Minor equipment		3,427			3,427		3,017	6,444	42,101
Computer services	82,953	1,237			84,190			84,190	78,291
Bank fees and discounts						127,627	7,476	135,103	114,123
Advertising		462	5,592		6,054		2,182	8,236	5,661
Special events			3,418		3,418	4,052		7,470	6,820
Professional dues		39,472	475		39,947	1,223	45,631	86,801	80,078
Strategic initiative/training							19,394	19,394	28,401
Video tape		2,958	46		3,004	13		3,017	9,224
Subscriptions	2,291	2,951			5,242	354	1,717	7,313	7,141
Other taxes							10,394	10,394	7,595
Subtotal	2,129,379	4,726,704	406,878		7,262,961	2,593,030	1,501,278	11,357,269	11,617,901
Depreciation	584,883	71,203	13,494	\$ 359,669	1,029,249	99,859	35,986	1,165,094	1,196,277
Totals	\$2,714,262	\$ 4,797,907	\$ 420,372	\$ 359,669	\$8,292,210	\$ 2,692,889	\$ 1,537,264	\$ 12,522,363	\$ 12,814,178

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

Statements of Functional Expenses

Year Ended June 30, 2013

	2013							
	Program Services					Support Services		
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total
Salaries and benefits	\$ 1,065,555	\$ 2,787,260	\$ 214,029		\$ 4,066,844	\$ 1,509,541	\$ 715,400	\$ 6,291,785
Programming		1,707,879			1,707,879			1,707,879
Professional services	400,399	321,414	50,434		772,247	187,966	300,351	1,260,564
Printing			22,690		22,690	192,465	1,980	217,135
Electricity	276,868				276,868		36,802	313,670
Maintenance	150,634	8,154			158,788		91,853	250,641
Postage	2,572	540	30,862		33,974	128,893	8,322	171,189
Travel and conference	36,059	44,887	2,365		83,311	36,265	30,200	149,776
Rent	108,222	8,786			117,008		101,788	218,796
Insurance	22,858	72,210	6,234		101,302	48,210	14,546	164,058
Telephone	28,908	10,632			39,540	6,292	63,897	109,729
Premiums						149,818		149,818
Miscellaneous	2,114	18,112	5,064		25,290	83,520	42,005	150,815
Office and technical supplies	19,991	30,678	4,533		55,202	6,772	20,637	82,611
Minor equipment		5,353			5,353		36,748	42,101
Computer services	78,282	9			78,291			78,291
Bank fees and discounts						111,174	2,949	114,123
Advertising		489	2,960		3,449		2,212	5,661
Special events			1,901		1,901	4,919		6,820
Professional dues		33,417	350		33,767	2,138	44,173	80,078
Strategic initiative/training							28,401	28,401
Video tape		8,167	870		9,037	187		9,224
Subscriptions	2,334	2,480			4,814	412	1,915	7,141
Other taxes							7,595	7,595
Subtotal	2,194,796	5,060,467	342,292		7,597,555	2,468,572	1,551,774	11,617,901
Depreciation	551,518	58,671	13,953	\$ 431,674	1,055,816	107,904	32,557	1,196,277
Totals	\$ 2,746,314	\$ 5,119,138	\$ 356,245	\$ 431,674	\$ 8,653,371	\$ 2,576,476	\$ 1,584,331	\$ 12,814,178

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

Notes to Financial Statements

June 30, 2014 and 2013

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) and National Public Radio (NPR).

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 adjusted 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, 2014 and 2013

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, MPBN 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, 2014 and 2013

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.

Management has evaluated MPBN's tax positions and concluded that as of June 30, 2014 and 2013, 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 ended June 30, 2011 through June 30, 2014.

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Reclassifications

Certain amounts in the 2013 financial statement have been reclassified to conform to the 2014 presentation. There was no effect on the 2013 change in net assets as a result of such reclassifications.

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, 2014 and 2013

NOTE 3 – PLEDGES RECEIVABLE

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

	2014	2013
Membership contributions	\$ 1,002,280	\$ 907,737
Underwriting	1,114,494	996,649
General	200,000	
Capital campaign	450,973	117,500
Endowment	29,500	
Charitable lead interest trust	459,000	495,000
	<u>3,256,247</u>	<u>2,516,886</u>
Less allowance for uncollectible pledges and discount	300,823	272,460
Total unconditional promises to give	<u>\$ 2,955,424</u>	<u>\$ 2,244,426</u>
Amount due in:		
Less than one year	\$ 2,485,774	
One to five years	587,473	
Thereafter	183,000	
	<u>\$ 3,256,247</u>	

NOTE 4 – PROPERTY AND EQUIPMENT

A portion of MPBN's property and equipment was purchased under a grant agreement received from the National Telecommunications and Information Administration (NTIA). The NTIA holds a lien on this property for a period of ten 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 under the grant was \$6,223,362, of which \$1,555,065 was funded by the NTIA. These assets are held under lien until June 30, 2014.

NOTE 5 – CASH AND SHORT-TERM INVESTMENTS – DESIGNATED FOR CAPITAL PURPOSES

Cash and short-term investments – designated for capital purposes as of June 30 consist of the following:

	2014	2013
Cash	\$ 102,225	\$ 101,476
Certificate of deposit	250,000	250,000
	<u>\$ 352,225</u>	<u>\$ 351,476</u>

NOTE 6 – INVESTMENTS – 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 \$150,000 and \$140,000 from the endowment for the years ended June 30, 2014 and 2013, respectively. These amounts were less than the amount allowed to be spent under MPBN's spending policy.

Notes to Financial Statements

June 30, 2014 and 2013

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

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

	2014	2013
Cash and money market accounts	\$ 172,456	\$ 207,340
U.S. Government Agency Obligations	528,082	485,529
Mutual funds – fixed income	532,423	503,427
Equity securities	1,668,580	1,398,017
Mutual funds – equity securities	2,070,112	1,684,900
	<u>\$ 4,971,653</u>	<u>\$ 4,279,213</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 145,155	\$ 237,298	\$ 382,453
Board-designated endowment funds	\$ 4,589,200			4,589,200
Total funds	<u>\$ 4,589,200</u>	<u>\$ 145,155</u>	<u>\$ 237,298</u>	<u>\$ 4,971,653</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2013, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 100,708	\$ 215,938	\$ 316,646
Board-designated endowment funds	\$ 3,962,567			3,962,567
Total funds	<u>\$ 3,962,567</u>	<u>\$ 100,708</u>	<u>\$ 215,938</u>	<u>\$ 4,279,213</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, 2014 and 2013.

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 3,962,567	\$ 100,708	\$ 215,938	\$ 4,279,213
Investment return:				
Interest and dividends	75,980	6,357		82,337
Net gains	603,509	50,155		653,664
Contributions	85,079		21,360	106,439
Appropriation of endowment assets for expenditure	(137,935)	(12,065)		(150,000)
End of year	<u>\$ 4,589,200</u>	<u>\$ 145,155</u>	<u>\$ 237,298</u>	<u>\$ 4,971,653</u>

Notes to Financial Statements

June 30, 2014 and 2013

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

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 3,626,267	\$ 92,368	\$ 215,938	\$ 3,934,573
Investment return:				
Interest and dividends	67,931	5,765		73,696
Net gains	289,049	24,573		313,622
Contributions	97,322			97,322
Appropriation of endowment assets for expenditure	(118,002)	(21,998)		(140,000)
End of year	<u>\$ 3,962,567</u>	<u>\$ 100,708</u>	<u>\$ 215,938</u>	<u>\$ 4,279,213</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, 2014 and 2013 and the lines of credit were not used during the years then ended. The lines of credit mature in November 2014 and February 2015 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 ten 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, 2014 and 2013 was \$94,064 and \$101,664, respectively.

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014:				
Cash equivalents	\$ 172,456	\$ 172,456		
U.S. Government Obligations	528,082		\$ 528,082	
Mutual funds – fixed income	532,423	532,423		
Equity securities	1,668,580	1,668,580		
Mutual funds – equity securities	2,070,112	2,070,112		
Pledges receivable - Beneficial interest in charitable lead interest trust	459,000		459,000	
Total	<u>\$ 5,430,653</u>	<u>\$ 4,443,571</u>	<u>\$ 987,082</u>	<u>\$ -</u>
June 30, 2013:				
Cash equivalents	\$ 207,340	\$ 207,340		
U.S. Government Obligations	485,529		\$ 485,529	
Mutual funds - fixed income	503,427	503,427		
Equity securities	1,398,017	1,398,017		
Mutual funds	1,684,900	1,684,900		
Pledges receivable - Beneficial interest in charitable lead interest trust	495,000		495,000	
Total	<u>\$ 4,774,213</u>	<u>\$ 3,793,684</u>	<u>\$ 980,529</u>	<u>\$ -</u>

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 \$286,538 and \$260,746 in 2014 and 2013, 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 2014 and 2013, 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 \$925,848 and \$876,261 for the years ended June 30, 2014 and 2013, respectively. The statement of financial position includes \$118,992 and \$104,751 of accrued medical claims as of June 30, 2014 and 2013, respectively.

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 12 – DONATED SUPPORT

The value of certain volunteer services of approximately \$21,000 and \$27,500 in 2014 and 2013, 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 amount paid to the University of Maine System totaled approximately \$135,000 and 127,000 during the years ended June 30, 2014 and 2013. The purchases included fuel, printing and telecommunication services.

MPBN also performed educational program services for the University of Maine System in 2013 which totaled approximately \$125,000 for the year ended June 30, 2013.

NOTE 14 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	Balance June 30, 2013	Revenue	Net Assets Released and Losses	Balance June 30, 2014
Membership pledges	\$ 635,277	\$ 701,921	\$ (635,277)	\$ 701,921
Underwriting pledges	996,649	2,148,931	(2,031,086)	1,114,494
General		300,000	(100,000)	200,000
Capital campaign pledges	117,500	731,000	(397,527)	450,973
Donated building	344,729		(16,816)	327,913
	<u>2,094,155</u>	<u>3,881,852</u>	<u>(3,180,706)</u>	<u>2,795,301</u>
Charitable lead interest trust	495,000		(36,000)	459,000
Endowment gains	100,711	56,512	(12,068)	145,155
	<u>595,711</u>	<u>56,512</u>	<u>(48,068)</u>	<u>604,155</u>
Digital television	<u>1,646,645</u>		<u>(237,379)</u>	<u>1,409,266</u>
Totals	<u>\$ 4,336,511</u>	<u>\$ 3,938,364</u>	<u>\$ (3,466,153)</u>	<u>\$ 4,808,722</u>

Permanently restricted net assets are restricted by donors, the income from which is expendable to support general operations. Total permanently restricted assets as of June 30, 2014 and 2013 was \$269,148 and \$215,938, respectively.

Notes to Financial Statements

June 30, 2014 and 2013

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 other federal agencies. 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 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.

NOTE 16 – LEASES

MPBN has an operating lease dated November 2010 for its Portland facility. The lease requires monthly rental payments of \$6,548 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 ten operating leases for land used for broadcast transmission equipment at various monthly payments. These leases are for terms through year 2021 with annual payments ranging from \$200 to \$32,000.

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

Years Ending June 30,

2015	\$ 217,000
2016	196,000
2017	145,000
2018	139,000
2019	137,000
Thereafter	149,000
	<u>\$ 983,000</u>

Rent expense for the above leases for the years ended June 30, 2014 and 2013 was approximately \$226,000 and \$219,000, respectively.

NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2014, the date the financial statements were available to be issued.

Independent Auditors' Report on Supplementary Financial Information

To the Board of 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, 2014 and 2013, and our report thereon dated October 9, 2014, which expressed an unmodified 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 20 and 21, 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.



South Portland, Maine
October 9, 2014

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Schedules of Revenues and Expenses

Year Ended June 30, 2014

With Summarized Comparative Totals for 2013

	2014				2013
	Operations	Investment and Endowment	Digital Television Conversion	Total	Total
Revenue and Gains					
Membership	\$ 4,667,365			\$ 4,667,365	\$ 4,618,885
State of Maine	1,690,905			1,690,905	1,673,997
Corporation for Public Broadcasting	1,554,378			1,554,378	1,473,775
Underwriting	2,154,719			2,154,719	1,802,036
Contributions	2,281,042	\$ 102,290		2,383,332	1,460,050
Other	223,335			223,335	183,678
Government grants	380,991			380,991	1,193,892
Interest on short-term investments	2,269			2,269	1,979
Investment income	7,958	728,043		736,001	387,318
Loss on asset disposal	(24,475)		(88,141)	(112,616)	(150,418)
Loss on bad debt	(5,788)			(5,788)	
Amounts allocated under spending formula	150,000	(150,000)			
In-kind	71,404			71,404	94,773
Total Revenues and Gains	13,154,103	680,333	(88,141)	13,746,295	12,739,965
Expenses					
Salaries/wages/benefits	6,072,509			6,072,509	6,291,778
Radio	1,082,251			1,082,251	1,057,913
Television/education	1,098,297			1,098,297	1,153,790
Web - online services	93,771			93,771	69,776
Technology and operations	1,142,822			1,142,822	1,106,390
Marketing/communications	127,006			127,006	122,028
Development	967,234			967,234	910,821
Administration	773,379			773,379	905,405
Subtotal	11,357,269			11,357,269	11,617,901
Depreciation	805,425		\$ 359,669	1,165,094	1,196,277
Total Expenses	12,162,694		359,669	12,522,363	12,814,178
Net Revenues Over/(Under) Expenses	\$ 991,409	\$ 680,333	\$ (447,810)	\$ 1,223,932	\$ (74,213)

Schedules of Unrestricted Net Assets

June 30, 2014 and 2013

	Operations				Investment and Endowment Board Designated as Endowment	DTV Digital Television	Total
	Working Capital	Capital Improvements	Investment in Property and Equipment	Total Operations			
2014							
Beginning of Year	\$ 431,061	\$ 119,996	\$ 5,704,820	\$ 6,255,877	\$ 3,962,567	\$ 1,018,853	\$ 11,237,297
Changes in Net Assets	617,723	381,866	(805,425)	194,164	651,116	(146,769)	698,511
Interfund Transfers	24,483	(706,836)	706,836	24,483	(24,483)		
	<u>\$ 1,073,267</u>	<u>\$ (204,974)</u>	<u>\$ 5,606,231</u>	<u>\$ 6,474,524</u>	<u>\$ 4,589,200</u>	<u>\$ 872,084</u>	<u>\$ 11,935,808</u>
2013							
Beginning of Year	\$ 978,659	\$ 279,769	\$ 5,179,252	\$ 6,437,680	\$ 3,626,267	\$ 1,165,622	\$ 11,229,569
Changes in Net Assets	(700,098)	1,130,398	(764,603)	(334,303)	488,800	(146,769)	7,728
Interfund Transfers	152,500	(1,290,171)	1,290,171	152,500	(152,500)		
	<u>\$ 431,061</u>	<u>\$ 119,996</u>	<u>\$ 5,704,820</u>	<u>\$ 6,255,877</u>	<u>\$ 3,962,567</u>	<u>\$ 1,018,853</u>	<u>\$ 11,237,297</u>

See independent auditors' report on supplementary financial information.