

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



Maine Public Broadcasting Network

**Financial Report
June 30, 2015**

CONTENTS

Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	9
Independent Auditors' Report on Supplementary Financial Information	19
Schedules of Revenues and Expenses	20
Schedules of Unrestricted Net Assets	21



Accessible
Approachable
Accountable

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, 2015 and 2014, 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, 2015 and 2014, 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
November 23, 2015

Statements of Financial Position

June 30,

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$ 1,461,152	\$ 1,395,049
Cash and short-term investments designated for capital purposes	353,244	352,225
Accounts and grants receivable	21,841	57,238
Pledges receivable within one year (net)	2,248,176	2,184,951
Prepaid expenses	114,690	159,920
Total Current Assets	<u>4,199,103</u>	<u>4,149,383</u>
Property and Equipment		
Digital Conversion Equipment		
Broadcast equipment	8,808,579	8,684,240
Accumulated depreciation	(6,896,987)	(6,466,729)
Total Digital Conversion Equipment	<u>1,911,592</u>	<u>2,217,511</u>
Other Property and Equipment		
Land and improvements	259,978	259,978
Buildings and improvements	4,822,839	4,624,939
Broadcast equipment	11,400,282	10,742,915
Office equipment and furniture	3,283,165	2,945,970
Automotive equipment	677,172	653,056
	<u>20,443,436</u>	<u>19,226,858</u>
Accumulated depreciation	(14,485,967)	(13,391,205)
Total Other Property and Equipment	<u>5,957,469</u>	<u>5,835,653</u>
Other Assets		
Unemployment compensation deposit	61,870	61,839
Investments - long-term	5,195,821	4,971,653
Pledges receivable after one year	447,848	770,473
Total Other Assets	<u>5,705,539</u>	<u>5,803,965</u>
Total Assets	<u>\$ 17,773,703</u>	<u>\$ 18,006,512</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 161,959	\$ 203,041
Accrued expenses	860,390	695,729
Total Current Liabilities	<u>1,022,349</u>	<u>898,770</u>
Long-Term Liabilities		
Accrued postretirement benefits	86,464	94,064
Total Liabilities	<u>1,108,813</u>	<u>992,834</u>
Net Assets		
Unrestricted		
Operations	6,479,324	6,474,524
Board designated investment	4,749,816	4,589,200
Digital Television Conversion	770,515	872,084
	<u>11,999,655</u>	<u>11,935,808</u>
Temporarily restricted	4,339,372	4,808,722
Permanently restricted	325,863	269,148
Total Net Assets	<u>16,664,890</u>	<u>17,013,678</u>
Total Liabilities and Net Assets	<u>\$ 17,773,703</u>	<u>\$ 18,006,512</u>

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

Statements of Activities

Year Ended June 30, 2015

With Summarized Comparative Totals For 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 4,127,407	\$ 772,925		\$ 4,900,332
State of Maine Corporation for Public Broadcasting	1,500,000			1,500,000
Contributions	1,607,502			1,607,502
Underwriting	1,289,777	100,119		1,389,896
Government grants	5,000	2,342,681		2,342,681
Interest on short-term investments	2,890			2,890
Amount allocated under spending formula	170,000			170,000
Other	185,818			185,818
In-kind	48,655			48,655
Loss on disposal of assets	(25,040)			(25,040)
Net assets released from restrictions	3,451,405	(3,451,405)		
Total Operating Revenues and Support	12,363,414	(235,680)		12,127,734
Operating Expenses				
Program service				
Technical	2,217,456			2,217,456
Programming and production	4,871,605			4,871,605
Public information	485,607			485,607
	7,574,668			7,574,668
Development	2,475,513			2,475,513
Administration	1,585,222			1,585,222
Depreciation (excluding DTV conversion)	778,990			778,990
Total Operating Expenses	12,414,393			12,414,393
Changes in Net Assets from Operations	(50,979)	(235,680)		(286,659)
Non-Operating Activities				
Contributions	287,132		\$ 56,715	343,847
Investment income	57,342	5,414		62,756
Amount allocated under spending formula	(170,000)			(170,000)
Depreciation on DTV conversion	(298,732)			(298,732)
Net assets released from restrictions	239,084	(239,084)		
Change in Net Assets - Non-Operating	114,826	(233,670)	56,715	(62,129)
Change in Net Assets	63,847	(469,350)	56,715	(348,788)
Net Assets, Beginning of Year	11,935,808	4,808,722	269,148	17,013,678
Net Assets, End of Year	\$ 11,999,655	\$ 4,339,372	\$ 325,863	\$ 16,664,890

Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 3,965,444	\$ 701,921		\$ 4,667,365
State of Maine Corporation for Public Broadcasting	1,690,905			1,690,905
Contributions	1,554,378			1,554,378
Underwriting	1,250,042	1,031,000		2,281,042
Government grants	380,991	2,148,931		2,148,931
Interest on short-term investments	380,991			380,991
Amount allocated under spending formula	2,269			2,269
Other	150,000			150,000
In-kind	223,335			223,335
Loss on disposal of assets	71,404			71,404
Net assets released from restrictions	(112,616)			(112,616)
Total Operating Revenues and Support	<u>3,180,706</u>	<u>(3,180,706)</u>		<u>13,058,004</u>
Operating Expenses				
Program service				
Technical	2,129,379			2,129,379
Programming and production	4,726,704			4,726,704
Public information	406,878			406,878
	<u>7,262,961</u>			<u>7,262,961</u>
Development	2,593,030			2,593,030
Administration	1,501,278			1,501,278
Depreciation (excluding DTV conversion)	805,425			805,425
Total Operating Expenses	<u>12,162,694</u>			<u>12,162,694</u>
Changes in Net Assets from Operations	<u>194,164</u>	<u>701,146</u>		<u>895,310</u>
Non-Operating Activities				
Contributions	49,080		53,210	102,290
Investment income	679,489	56,512		736,001
Amount allocated under spending formula	(150,000)			(150,000)
Depreciation on digital television conversion	(359,669)			(359,669)
Net assets released from restrictions	285,447	(285,447)		
Change in Net Assets - Non-Operating	<u>504,347</u>	<u>(228,935)</u>	<u>53,210</u>	<u>328,622</u>
Change in Net Assets	698,511	472,211	53,210	1,223,932
Net Assets, Beginning of Year	<u>11,237,297</u>	<u>4,336,511</u>	<u>\$ 215,938</u>	<u>15,789,746</u>
Net Assets, End of Year	<u>\$ 11,935,808</u>	<u>\$ 4,808,722</u>	<u>\$ 269,148</u>	<u>\$ 17,013,678</u>

Statements of Cash Flows

Years Ended June 30,

	2015	2014
Cash flows from operating activities:		
Change in net assets	<u>\$ (348,788)</u>	<u>\$ 1,223,932</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,077,722	1,165,094
Loss on bad debts	10,267	5,788
Net loss on disposal of property and equipment	25,040	112,616
Net (gain) loss on long-term investments	26,051	(655,374)
Permanently restricted contributions	(56,715)	(53,210)
Contributions and grants restricted for long-lived assets	(5,000)	(380,991)
(Increase) decrease in operating assets:		
Accounts and grants receivable	25,130	24,897
Pledges receivable	190,684	(681,498)
Prepaid expenses	45,199	(119,817)
Increase (decrease) in operating liabilities:		
Accounts payable	(41,082)	(383,330)
Accrued expenses	164,661	(18,480)
Accrued postretirement benefits	(7,600)	(7,600)
Total adjustments	<u>1,454,357</u>	<u>(991,905)</u>
Net cash flows from operating activities	<u>1,105,569</u>	<u>232,027</u>
Cash flows from investing activities		
Purchase of property and equipment	(918,659)	(752,773)
Proceeds from the sale of property and equipment		3,322
Proceeds from the sale of investments - long-term	2,730,510	626,766
Purchase of investments - long-term	<u>(2,924,014)</u>	<u>(663,832)</u>
Net cash flows from investing activities	<u>(1,112,163)</u>	<u>(786,517)</u>
Cash flows from financing activities		
Receipt of permanently restricted contributions	68,716	23,710
Receipt of contributions and grants for long-lived assets	<u>5,000</u>	<u>770,596</u>
Net cash flows from financing activities	<u>73,716</u>	<u>794,306</u>
Change in cash and cash equivalents	67,122	239,816
Cash and cash equivalents, beginning of year	<u>1,497,274</u>	<u>1,257,458</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,564,396</u></u>	<u><u>\$ 1,497,274</u></u>
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 1,461,152	\$ 1,395,049
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	<u>103,244</u>	<u>102,225</u>
	<u><u>\$ 1,564,396</u></u>	<u><u>\$ 1,497,274</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 800	\$ 10,394

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

Statements of Functional Expenses

Year Ended June 30, 2015

With Summarized Comparative Totals for 2014

	2015								2014
	Program Services				Support Services				Total
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total	
Salaries and benefits	\$ 979,511	\$ 2,654,080	\$ 349,213		\$ 3,982,804	\$ 1,568,490	\$ 871,638	\$ 6,422,932	\$ 6,072,509
Programming		1,693,406			1,693,406			1,693,406	1,707,892
Professional Services	420,972	320,293	32,816		774,081	109,814	182,862	1,066,757	1,198,723
Printing		20	29,647		29,667	175,130	543	205,340	256,165
Electricity	306,053				306,053		31,606	337,659	297,896
Maintenance	184,356	2,508			186,864		115,999	302,863	270,057
Postage	1,943	616	40,052		42,611	151,139	6,362	200,112	170,441
Travel and Conference	30,604	27,598	3,415		61,617	40,907	40,941	143,465	122,735
Rent	116,402	6,586			122,988		100,743	223,731	225,913
Insurance	24,280	76,151	10,485		110,916	46,408	17,658	174,982	189,025
Telephone	41,559	7,732			49,291	6,357	60,592	116,240	119,793
Premiums						150,981		150,981	161,448
Miscellaneous	3,601	10,421	8,118		22,140	87,829	56,028	165,997	144,545
Office and Technical Supplies	18,082	15,722	4,394		38,198	2,913	18,219	59,330	51,765
Minor equipment		4,593			4,593		9,370	13,963	6,444
Computer Services	87,820	1,500			89,320			89,320	84,190
Bank fees and discounts						127,640	7,080	134,720	135,103
Advertising			4,347		4,347		1,245	5,592	8,236
Special events			2,597		2,597	6,043		8,640	7,470
Professional Dues		43,313			43,313	1,324	41,990	86,627	86,801
Strategic initiative/Training							19,737	19,737	19,394
Video Tape		2,489			2,489	175		2,664	3,017
Subscriptions	2,273	4,577	523		7,373	363	1,809	9,545	7,313
Other Taxes							800	800	10,394
Subtotal	2,217,456	4,871,605	485,607		7,574,668	2,475,513	1,585,222	11,635,403	11,357,269
Depreciation	549,122	75,186	21,754	298,732	944,794	96,290	36,637	1,077,722	1,165,094
Totals	\$ 2,766,578	\$ 4,946,791	\$ 507,361	\$ 298,732	\$ 8,519,462	\$ 2,571,803	\$ 1,621,859	\$ 12,713,125	\$ 12,522,363

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

Statements of Functional Expenses

Year Ended June 30, 2014

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

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

Notes to Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014

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 \$2,500. 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 return assumptions, the long-term expected annual return for this objective should fall within a range between 5.5 and 7%.

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, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments – Continued

Asset Allocation: The asset allocation range shall be: 51% - 71% in equities, 15% -45% in fixed income, and 2%-13% in alternative asset classes (including REITs and commodities).

Time Horizon: Long-term.

Spending Policy: Trustees have adopted a 4% annual spending rule based on a three-year rolling average market value calculated at prior fiscal year end (6/30).

Performance Measurement: The investment performance of this portfolio will be measured against both a blended benchmark and a static benchmark. The dynamically-weighted blended benchmark shall consist of the Citi 3-Mo Tbill, S&P 500, Russell 2000, S&P Mid-Cap 400, MSCI EAFE, MSCI EM, Dow Jones UBS Commodities, and Morgan Stanley REIT, and the BarCap Intermediate Govt/Credit Indexes. The static benchmark shall consist of 70% MSCI All-Country World Index / 30% BarCap U.S. Government 1-5 year 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, 2015 and 2014, 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, 2012 through June 30, 2015.

Notes to Financial Statements

June 30, 2015 and 2014

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.

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, 2015 and 2014

NOTE 3 – PLEDGES RECEIVABLE

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

	2015	2014
Membership contributions	\$ 1,104,178	\$ 1,002,280
Underwriting	1,062,781	1,114,494
General	150,000	200,000
Capital campaign	262,818	450,973
Endowment	27,500	29,500
Charitable lead interest trust	420,000	459,000
	<u>3,027,277</u>	<u>3,256,247</u>
Less allowance for uncollectible pledges and discount	<u>331,253</u>	<u>300,823</u>
Total unconditional promises to give	<u>\$ 2,696,024</u>	<u>\$ 2,955,424</u>
Amount due in:		
Less than one year	\$ 2,579,429	
One to five years	322,848	
Thereafter	125,000	
	<u>\$ 3,027,277</u>	

NOTE 4 – 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:

	2015	2014
Cash	\$ 103,244	\$ 102,225
Certificate of deposit	250,000	250,000
	<u>\$ 353,244</u>	<u>\$ 352,225</u>

NOTE 5 – 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 \$170,000 and \$150,000 from the endowment for the years ended June 30, 2015 and 2014, respectively. These amounts were less than the amount allowed to be spent under MPBN's spending policy.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 5 – INVESTMENTS – LONG-TERM AND APPRECIATION OF ENDOWMENT INVESTMENTS – CONTINUED

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

	2015	2014
Cash and money market accounts	\$ 366,402	\$ 172,456
U.S. Government Agency Obligations	420,946	528,082
Mutual funds – fixed income	811,911	532,423
Equity securities		1,668,580
Mutual funds – equity securities	3,596,562	2,070,112
	<u>\$ 5,195,821</u>	<u>\$ 4,971,653</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 147,648	\$ 298,357	\$ 446,005
Board-designated endowment funds	\$ 4,749,816			4,760,958
Total funds	<u>\$ 4,749,816</u>	<u>\$ 147,648</u>	<u>\$ 298,357</u>	<u>\$ 5,195,821</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>

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, 2015 and 2014.

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 4,589,200	\$ 145,155	\$ 237,298	\$ 4,971,653
Investment return:				
Interest and dividends	83,678	7,339		91,017
Net loss	(26,336)	(1,925)		(28,261)
Contributions	270,353		61,059	331,412
Appropriation of endowment assets for expenditure	(167,079)	(2,921)		(170,000)
End of year	<u>\$ 4,749,816</u>	<u>\$ 147,648</u>	<u>\$ 298,357</u>	<u>\$ 5,195,821</u>

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 5 – INVESTMENTS – LONG-TERM AND APPRECIATION OF ENDOWMENT INVESTMENTS – CONTINUED

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>

NOTE 6 – LINES OF CREDIT

MPBN has a \$500,000 and \$300,000 unsecured lines of credit with variable interest rates. There were no outstanding balances on the lines of credit at June 30, 2015 and 2014 and the lines of credit were not used during the years then ended. The lines of credit mature in November 2015 and February 2016 and are subject to review at that time.

NOTE 7 – 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, 2015 and 2014 was \$86,464 and \$94,064, respectively.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 8 – FAIR VALUES

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

	Total	Level 1	Level 2	Level 3
June 30, 2015:				
Cash equivalents	\$ 366,402	\$ 366,402		
U.S. Government Obligations	420,946		\$ 420,946	
Mutual funds – fixed income	811,911	811,911		
Mutual funds – equity securities	3,596,562	3,596,562		
Pledges receivable - Beneficial interest in charitable lead interest trust	420,000		420,000	
Total	<u>\$ 5,615,821</u>	<u>\$ 4,774,875</u>	<u>\$ 840,946</u>	<u>\$ -</u>
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	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>

NOTE 9 – 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 \$275,116 and \$286,538 in 2015 and 2014, respectively.

NOTE 10 – 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 2015 and 2014, 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 \$810,169 and \$925,848 for the years ended June 30, 2015 and 2014, respectively. The statement of financial position includes \$100,312 and \$118,992 of accrued medical claims as of June 30, 2015 and 2014, respectively.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 11 – DONATED SUPPORT

The value of certain volunteer services of approximately \$17,500 and \$21,000 in 2015 and 2014, 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 12 – 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 \$110,500 and 135,000 during the years ended June 30, 2015 and 2014, respectively. The purchases included fuel, printing and telecommunication services.

NOTE 13 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	Balance June 30, 2014	Revenue	Net Assets Released and Losses	Balance June 30, 2015
Membership pledges	\$ 701,921	\$ 772,925	\$ (701,921)	\$ 772,925
Underwriting pledges	1,114,494	2,342,681	(2,394,394)	1,062,781
General	200,000	100,000	(150,000)	150,000
Capital campaign pledges	450,973	119	(188,274)	262,818
Donated building	327,913		(16,816)	311,097
	<u>2,795,301</u>	<u>3,215,725</u>	<u>(3,451,405)</u>	<u>2,559,621</u>
Charitable lead interest trust	459,000		(39,000)	420,000
Endowment gains	145,155	5,414	(2,921)	147,648
	<u>604,155</u>	<u>5,414</u>	<u>(41,921)</u>	<u>567,648</u>
Digital television	<u>1,409,266</u>		<u>(197,163)</u>	<u>1,212,103</u>
Totals	<u>\$ 4,808,722</u>	<u>\$ 3,221,139</u>	<u>\$ (3,690,489)</u>	<u>\$ 4,339,372</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, 2015 and 2014 was \$325,863 and \$269,148, respectively.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 14 – 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 15 – LEASES

MPBN has an operating lease dated November 2010 for its Portland facility. The lease requires monthly rental payments of \$7,050 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,	
2016	\$ 221,000
2017	144,000
2018	143,000
2019	134,000
2020	98,000
Thereafter	<u>39,000</u>
	<u>\$ 779,000</u>

Rent expense for the above leases for the years ended June 30, 2015 and 2014 was approximately \$224,000 and \$226,000, respectively.

NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 23, 2015, the date the financial statements were available to be issued.



Accessible
Approachable
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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, 2015 and 2014, and our report thereon dated November 23, 2015, 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.

A handwritten signature in blue ink that reads "Macpage LLC". The signature is written in a cursive, flowing style.

South Portland, Maine
November 23, 2015

Macpage LLC

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Schedules of Revenues and Expenses

Year Ended June 30, 2015

With Summarized Comparative Totals for 2014

	2015			Total	2014 Total
	Operations	Investment and Endowment	Digital Television Conversion		
Revenue and Gains					
Membership	4,900,332			4,900,332	4,667,365
State of Maine Corporation for Public Broadcasting	1,500,000			1,500,000	1,690,905
Underwriting	1,607,502			1,607,502	1,554,378
Contributions	2,352,947			2,352,947	2,154,719
Other	1,395,095	338,648		1,733,743	2,383,332
Government grants	185,856			185,856	223,335
Interest on short-term investments	5,000			5,000	380,991
Investment income	2,890			2,890	2,269
Loss on asset disposal		62,718		62,718	736,001
Loss on bad debt	(17,852)		(7,188)	(25,040)	(112,616)
Amounts allocated under spending formula	(10,267)			(10,267)	(5,788)
In-kind	170,000	(170,000)		-	-
Total Revenues and Gains	12,140,158	231,366	(7,188)	12,364,336	13,746,295
Expenses					
Salaries/wages/benefits	6,422,932			6,422,932	6,072,509
Radio	1,096,427			1,096,427	1,082,251
Television/education	1,042,278			1,042,278	1,098,297
Web - online services	87,801			87,801	93,771
Technology and operations	1,213,664			1,213,664	1,142,822
Marketing/communications	125,908		-	125,908	127,006
Development	860,615			860,615	967,234
Administration	785,777			785,777	773,379
Subtotal	11,635,402	-		11,635,402	11,357,269
Depreciation	778,989		298,733	1,077,722	1,165,094
Total Expenses	12,414,391	-	298,733	12,713,124	12,522,363
Net Revenues Over/(Under) Expenses	(274,233)	231,366	(305,921)	(348,788)	1,223,932

Schedules of Unrestricted Net Assets

June 30, 2015 and 2014

	Operations				Investment and Endowment	DTV	Total
	Working Capital	Capital Improvements	Investment in Property and Equipment	Total Operations	Board Designated as Endowment	Digital Television	
2015							
Beginning of Year	\$ 1,186,719	\$ (204,974)	\$ 5,492,779	\$ 6,474,524	\$ 4,589,200	\$ 872,084	\$ 11,935,808
Changes in Net Assets	11,966	716,045	(778,990)	(50,979)	327,695	(212,869)	63,847
Interfund Transfers	<u>(250,147)</u>	<u>(507,433)</u>	<u>813,359</u>	<u>55,779</u>	<u>(167,079)</u>	<u>111,300</u>	
	<u>\$ 948,538</u>	<u>\$ 3,638</u>	<u>\$ 5,527,148</u>	<u>\$ 6,479,324</u>	<u>\$ 4,749,816</u>	<u>\$ 770,515</u>	<u>\$ 11,999,655</u>
2014							
Beginning of Year	\$ 430,935	\$ 120,122	\$ 5,704,820	\$ 6,255,877	\$ 3,962,567	\$ 1,018,853	\$ 11,237,297
Changes in Net Assets	617,849	381,740	(805,425)	194,164	764,568	(260,221)	698,511
Interfund Transfers	<u>137,935</u>	<u>(706,836)</u>	<u>593,384</u>	<u>24,483</u>	<u>(137,935)</u>	<u>113,452</u>	
	<u>\$ 1,186,719</u>	<u>\$ (204,974)</u>	<u>\$ 5,492,779</u>	<u>\$ 6,474,524</u>	<u>\$ 4,589,200</u>	<u>\$ 872,084</u>	<u>\$ 11,935,808</u>