

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



Maine Public Broadcasting Network

**Financial Report
June 30, 2012**

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macdonaldpage & co LLC

Certified Public Accountants and Management Advisors

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, 2012 and 2011, 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, 2012 and 2011, 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.

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October 16, 2012

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Statements of Financial Position

June 30,

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 1,441,371	\$ 1,198,872
Cash and short-term investments designated for capital purposes	350,727	349,563
Accounts and grants receivable	293,288	414,836
Pledges receivable within one year (net)	1,537,986	1,417,820
Prepaid expenses	139,713	119,418
Total Current Assets	<u>3,763,085</u>	<u>3,500,509</u>
Property and Equipment		
Digital Conversion Equipment		
Broadcast equipment	10,700,915	10,700,915
Accumulated depreciation	(7,603,743)	(7,163,021)
Total Digital Conversion Equipment	<u>3,097,172</u>	<u>3,537,894</u>
Other Property and Equipment		
Land and improvements	259,978	259,978
Buildings and improvements	4,417,344	4,500,783
Broadcast equipment	12,157,796	10,976,750
Office equipment and furniture	2,736,482	3,040,045
Automotive equipment	550,346	609,551
	<u>20,121,946</u>	<u>19,387,107</u>
Accumulated depreciation	(14,581,149)	(14,084,262)
Total Other Property and Equipment	<u>5,540,797</u>	<u>5,302,845</u>
Other Assets		
Unemployment compensation deposit	19,801	19,791
Investments - long-term	3,934,573	4,076,908
Pledges receivable after one year	495,000	540,000
Total Other Assets	<u>4,449,374</u>	<u>4,636,699</u>
Total Assets	<u>\$ 16,850,428</u>	<u>\$ 16,977,947</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 263,877	\$ 71,508
Accrued expenses	613,328	556,989
Total Current Liabilities	<u>877,205</u>	<u>628,497</u>
Long-Term Liabilities		
Accrued postretirement benefits	109,264	116,864
Total Liabilities	<u>986,469</u>	<u>745,361</u>
Net Assets		
Unrestricted		
Operations	6,437,680	6,281,895
Board designated investment	3,626,267	3,747,107
Digital Television Conversion	1,165,622	1,315,467
	<u>11,229,569</u>	<u>11,344,469</u>
Temporarily restricted	4,418,452	4,672,179
Permanently restricted	215,938	215,938
Total Net Assets	<u>15,863,959</u>	<u>16,232,586</u>
Total Liabilities and Net Assets	<u>\$ 16,850,428</u>	<u>\$ 16,977,947</u>

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

Statements of Activities

Year Ended June 30, 2012

With Summarized Comparative Totals For 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 3,786,392	\$ 543,470		\$ 4,329,862
State of Maine Corporation for Public Broadcasting	1,954,235			1,954,235
Contributions	1,376,889			1,376,889
Auction	78,387			78,387
Underwriting		1,677,110		1,677,110
Government grants	475,482			475,482
Interest on short-term investments	2,751			2,751
Amount allocated under spending formula	235,500			235,500
Other	192,722			192,722
In-kind	50,975			50,975
Net assets released from restrictions	2,116,230	(2,116,230)		
Total Operating Revenues and Support	11,838,718	104,350		11,943,068
Operating Expenses				
Program service				
Technical	2,150,385			2,150,385
Programming and production	4,511,940			4,511,940
Public information	267,847			267,847
	6,930,172			6,930,172
Development	2,384,837			2,384,837
Administration	1,697,464			1,697,464
Depreciation (excluding DTV conversion)	680,531			680,531
Total Operating Expenses	11,693,004			11,693,004
Changes in Net Assets from Operations	145,714	104,350		250,064
Non-Operating Activities				
Contributions	86,849			86,849
Investment income (loss)	(14,680)	(2,458)		(17,138)
Amount allocated under spending formula	(235,500)			(235,500)
Loss on bad debts	(3,180)	(9,000)		(12,180)
Depreciation on DTV conversion	(440,722)			(440,722)
Net assets released from restrictions	346,619	(346,619)		
Change in Net Assets - Non-Operating	(260,614)	(358,077)		(618,691)
Change in Net Assets	(114,900)	(253,727)		(368,627)
Net Assets, Beginning of Year	11,344,469	4,672,179	\$ 215,938	16,232,586
Net Assets, End of Year	\$ 11,229,569	\$ 4,418,452	\$ 215,938	\$ 15,863,959

Statement of Activities

Year Ended June 30, 2011

	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			1,504,736
Auction	965,191	188,819		1,154,010
Underwriting	378,543			378,543
Government grants		1,589,498		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 digital television 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	833,318	(73,959)		759,359
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>

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

Statements of Cash Flows

Years Ended June 30,

	2012	2011
Cash flows from operating activities:		
Change in net assets	<u>\$ (368,627)</u>	<u>\$ 759,359</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,121,253	1,088,362
Loss on bad debts	12,180	16,253
Net loss on disposal of property and equipment	874	46,350
Net (gain) loss on long-term investments	96,265	(706,420)
Contributions and grants restricted for long-lived assets	(350,482)	(565,412)
(Increase) decrease in operating assets:		
Accounts and grants receivable	(25,980)	(38,933)
Pledges receivable	(66,166)	(216,262)
Prepaid expenses	(20,305)	(45,296)
Increase (decrease) in operating liabilities:		
Accounts payable	192,369	(102,756)
Accrued expenses	56,339	(39,949)
Accrued postretirement benefits	(7,600)	(7,600)
Total adjustments	<u>1,008,747</u>	<u>(571,663)</u>
Net cash flows from operating activities	<u>640,120</u>	<u>187,696</u>
Cash flows from investing activities		
Additions to property and equipment	(919,357)	(1,181,888)
Proceeds from the sale of investments - long-term	1,092,469	1,309,612
Purchase of investments - long-term	<u>(1,046,399)</u>	<u>(1,299,353)</u>
Net cash flows from investing activities	<u>(873,287)</u>	<u>(1,171,629)</u>
Cash flows from financing activities		
Receipt of contributions and grants for long-lived assets	<u>476,830</u>	<u>178,750</u>
Net cash flows from financing activities	<u>476,830</u>	<u>178,750</u>
Change in cash and cash equivalents	243,663	(805,183)
Cash and cash equivalents, beginning of year	<u>1,298,435</u>	<u>2,103,618</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,542,098</u></u>	<u><u>\$ 1,298,435</u></u>
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	<u>\$ 1,441,371</u>	<u>\$ 1,198,872</u>
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	<u>100,727</u>	<u>99,563</u>
	<u><u>\$ 1,542,098</u></u>	<u><u>\$ 1,298,435</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	<u>\$ 15,140</u>	<u>\$ 13,023</u>

Statements of Functional Expenses

Year Ended June 30, 2012
 With Summarized Comparative Totals for 2011

	2012										2011									
	Program Services					Support Services					Program Services					Support Services				
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total	Development	Administration	Total	Development	Administration	Total	Development	Administration	Total			
Salaries and benefits	\$ 1,039,704	\$ 2,456,953	\$ 186,212		\$ 3,682,869	\$ 1,409,884	\$ 793,886	\$ 5,886,639	\$ 1,409,884	\$ 793,886	\$ 5,886,639	\$ 1,409,884	\$ 793,886	\$ 5,886,639	\$ 1,409,884	\$ 793,886	\$ 5,886,639			
Programming	421,953	1,556,531	27,125		1,556,531	206,266	227,673	1,556,531	206,266	227,673	1,556,531	206,266	227,673	1,556,531	206,266	227,673	1,556,531			
Professional services		283,159	17,070		732,237	195,835	870	1,166,176	195,835	870	1,166,176	195,835	870	1,166,176	195,835	870	1,166,176			
Printing		20			17,090			213,795			213,795			213,795			213,795			
Electricity	273,048				273,048			312,124			312,124			312,124			312,124			
Maintenance	143,896	6,450	26,847		150,346			224,100			224,100			224,100			224,100			
Postage	1,852	628			2,480			150,181			150,181			150,181			150,181			
Travel and conference	36,573	32,191	268		69,032	34,047	9,007	154,651	34,047	9,007	154,651	34,047	9,007	154,651	34,047	9,007	154,651			
Rent	107,263	9,625	3,707		116,888	44,710	12,973	209,156	44,710	12,973	209,156	44,710	12,973	209,156	44,710	12,973	209,156			
Insurance	24,092	69,961	90		97,760	5,583	53,402	155,443	5,583	53,402	155,443	5,583	53,402	155,443	5,583	53,402	155,443			
Telephone	27,929	6,679			34,698	171,268		93,683	171,268		171,268	171,268		171,268	171,268		171,268			
Premiums						81,230	158,580	268,587	81,230	158,580	268,587	81,230	158,580	268,587	81,230	158,580	268,587			
Miscellaneous	6,404	18,815	3,558		28,777	11,638	17,642	68,973	11,638	17,642	68,973	11,638	17,642	68,973	11,638	17,642	68,973			
Office and technical supplies	18,216	19,701	1,776		39,693			86,758			86,758			86,758			86,758			
Minor equipment		9,731			9,731			96,489			96,489			96,489			96,489			
Computer services	46,868				46,868			46,868			46,868			46,868			46,868			
Bank fees and discounts						105,566	3,592	109,158	105,566	3,592	109,158	105,566	3,592	109,158	105,566	3,592	109,158			
Advertising			1,194		1,194			2,311			2,311			2,311			2,311			
Special events						3,917	1,117	3,917	3,917	1,117	3,917	3,917	1,117	3,917	3,917	1,117	3,917			
Professional dues		35,406			35,406	2,281	32,866	70,553	2,281	32,866	70,553	2,281	32,866	70,553	2,281	32,866	70,553			
Strategic initiative/training								26,108			26,108			26,108			26,108			
Video tape		4,540			4,540			5,157			5,157			5,157			5,157			
Subscriptions	2,587	1,550			4,137			5,465			5,465			5,465			5,465			
Other taxes						148	15,140	15,140	148	15,140	15,140	148	15,140	15,140	148	15,140	15,140			
Subtotal	2,150,385	4,511,940	267,847		6,930,172	2,384,837	1,697,464	11,012,473	2,384,837	1,697,464	11,012,473	2,384,837	1,697,464	11,012,473	2,384,837	1,697,464	11,012,473			
Depreciation	494,342	43,116	8,638		986,818	104,201	30,234	1,121,253	104,201	30,234	1,121,253	104,201	30,234	1,121,253	104,201	30,234	1,121,253			
Totals	\$ 2,644,727	\$ 4,555,056	\$ 276,485		\$ 7,916,990	\$ 2,489,038	\$ 1,727,698	\$ 12,133,726	\$ 2,489,038	\$ 1,727,698	\$ 12,133,726	\$ 2,489,038	\$ 1,727,698	\$ 12,133,726	\$ 2,489,038	\$ 1,727,698	\$ 12,133,726			

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

Statements of Functional Expenses

Year Ended June 30, 2011

	2011					
	Program Services			Support Services		
	Technical	Programming and Production	Public Information	Digital Television	Total	Total
Salaries and benefits	\$ 970,117	\$ 2,149,996	\$ 107,545		\$ 3,227,658	\$ 5,297,119
Programming	381,437	1,810,496			1,810,496	1,810,496
Professional services		276,360	43,246		701,043	996,001
Printing		20	15,383		15,403	236,666
Electricity	313,475				313,475	354,135
Maintenance	159,360	6,041			165,401	257,496
Postage	2,142	103	24,836		27,081	173,613
Travel and conference	31,635	43,791	28		75,454	145,074
Rent	95,815	12,322			108,137	187,962
Insurance	22,221	70,205	4,399		96,825	161,353
Telephone	26,896	7,029			33,925	91,786
Premiums						120,482
Miscellaneous	11,778	12,045	2,733		26,556	162,344
Office and technical supplies	17,464	12,717	2,523		32,704	57,151
Minor equipment		5,795			5,795	25,389
Computer services	64,324				64,324	64,324
Bank fees and discounts						95,959
Advertising			9,414		9,414	10,234
Special events						1,342
Professional dues		30,082			30,082	62,646
Strategic initiative/training						18,236
Video tape		6,125			6,125	6,368
Subscriptions	2,211	1,416			3,627	5,201
Other taxes						13,023
Subtotal	2,098,875	4,444,543	210,107		6,753,525	10,354,400
Depreciation	420,152	47,238	8,648	\$ 485,474	961,512	1,088,362
Totals	\$ 2,519,027	\$ 4,491,781	\$ 218,755	\$ 485,474	\$ 7,715,037	\$ 11,442,762
					\$ 2,338,453	\$ 1,389,272
					\$ 1,313,097	\$ 756,364

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

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011

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, 2012 and 2011

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, 2012 and 2011, 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, 2009 through June 30, 2012.

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011

NOTE 3 – PLEDGES RECEIVABLE

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

	2012	2011
Capital campaign	\$ 10,000	\$ 24,000
Charitable lead interest trust	530,000	562,000
Membership contributions	776,584	662,180
General	91,000	173,819
Underwriting	858,516	734,614
	<u>2,266,100</u>	<u>2,156,613</u>
Less allowance for uncollectible pledges and discount	233,114	198,793
Total unconditional promises to give	<u>\$ 2,032,986</u>	<u>\$ 1,957,820</u>
Amount due in:		
Less than one year	\$ 1,771,100	\$ 1,616,613
One to five years	209,000	206,000
Thereafter	286,000	334,000
	<u>\$ 2,266,100</u>	<u>\$ 2,156,613</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, 2012 and 2011, respectively.

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:

	2012	2011
Cash	\$ 100,727	\$ 99,563
Certificate of deposit	250,000	250,000
	<u>\$ 350,727</u>	<u>\$ 349,563</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 \$235,500 from the endowment for the fiscal year ended June 30, 2012 which included an additional authorized expenditure above the spending policy described in Note 1, for a specific purpose. For the fiscal year ended June 30, 2011 the Finance Committee elected to spend \$140,000. This amount was less than the amount allowed to be spent under MPBN's spending policy.

Notes to Financial Statements

June 30, 2012 and 2011

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

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

	2012	2011
Cash and money market accounts	\$ 62,990	\$ 75,829
U.S. Government Agency Obligations	505,378	892,402
Mutual funds – fixed income	405,067	
Equity securities	1,445,025	3,078,197
Mutual funds – equity securities	1,516,113	30,480
	<u>\$ 3,934,573</u>	<u>\$ 4,076,908</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2012, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 92,368	\$ 215,938	\$ 308,306
Board-designated endowment funds	\$ 3,626,267			3,626,267
Total funds	<u>\$ 3,626,267</u>	<u>\$ 92,368</u>	<u>\$ 215,938</u>	<u>\$ 3,934,573</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>

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. Deficiencies of this nature amounted to \$382 as of June 30, 2012 and there were no deficiencies of this nature as of June 30, 2011.

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 3,747,399	\$ 113,571	\$ 215,938	\$ 4,076,908
Investment return:				
Investment income	68,489	10,596		79,085
Net depreciation	(83,167)	(13,057)		(96,224)
Contributions	88,615			88,615
Transfer of operating funds	21,689			21,689
Appropriation of endowment assets for expenditure	(216,758)	(18,742)		(235,500)
End of year	<u>\$ 3,626,267</u>	<u>\$ 92,368</u>	<u>\$ 215,938</u>	<u>\$ 3,934,573</u>

Notes to Financial Statements

June 30, 2012 and 2011

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

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>

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, 2012 and 2011 and the lines of credit were not used during the years then ended. The lines of credit mature in October 2012 and February 2013 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, 2012 and 2011 was \$109,264 and \$116,864, respectively.

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012:				
Cash equivalents	\$ 62,990	\$ 62,990		
U.S. Government Obligations	505,378		\$ 505,378	
Mutual funds – fixed income	405,067	405,067		
Equity securities	1,445,025	1,445,025		
Mutual funds – equity securities	1,516,113	1,516,113		
Pledges receivable - Beneficial interest in charitable lead interest trust	530,000		530,000	
Total	<u>\$ 4,464,573</u>	<u>\$ 3,429,195</u>	<u>\$ 1,035,378</u>	<u>\$ -</u>
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	<u>\$ 4,638,908</u>	<u>\$ 3,184,506</u>	<u>\$ 1,454,402</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 \$231,167 and \$218,886 in 2012 and 2011, 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 2012 and 2011, 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 \$865,478 and \$715,726 for the years ended June 30, 2012 and 2011, respectively. The statement of financial position includes \$93,481 and \$83,039 of accrued medical claims as of June 30, 2012 and 2011, respectively.

Notes to Financial Statements

June 30, 2012 and 2011

NOTE 12 – DONATED SUPPORT

The value of certain volunteer services of approximately \$36,100 and \$73,800 in 2012 and 2011, 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 \$135,000 and \$183,000 during the years ended June 30, 2012 and 2011, respectively. The purchases included fuel, printing and telecommunication services.

MPBN also performs educational program services for the University of Maine System. The total amount received from the University of Maine System approximately totaled \$125,000 and \$92,000 during the years ended June 30, 2012 and 2011, respectively.

NOTE 14 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	Balance June 30, 2011	Revenue	Net Assets Released and Losses	Balance June 30, 2012
Membership pledges	\$ 463,387	\$ 543,470	\$ (463,387)	\$ 543,470
Underwriting pledges	734,614	1,677,110	(1,553,208)	858,516
General	173,819		(82,819)	91,000
Donated building	378,361		(16,816)	361,545
	<u>1,750,181</u>	<u>2,220,580</u>	<u>(2,116,230)</u>	<u>1,854,531</u>
Charitable lead interest trust	562,000		(32,000)	530,000
Capital campaign pledges	24,000		(14,000)	10,000
Endowment gains	113,571		(21,200)	92,371
	<u>699,571</u>		<u>(67,200)</u>	<u>632,371</u>
Digital television	<u>2,222,427</u>		<u>(290,877)</u>	<u>1,931,550</u>
Totals	<u>\$ 4,672,179</u>	<u>\$ 2,220,580</u>	<u>\$ (2,474,307)</u>	<u>\$ 4,418,452</u>

Notes to Financial Statements

June 30, 2012 and 2011

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.

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 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,	
2013	\$ 221,000
2014	198,000
2015	200,000
2016	170,000
2017	128,000
Thereafter	354,000
	<u>\$ 1,271,000</u>

Rent expense for the above leases for the years ended June 30, 2012 and 2011 approximates \$209,000 and \$188,000, 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.

macdonaldpage & co LLC

Certified Public Accountants and Management Advisors

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, 2012 and 2011, and our report thereon dated October 16, 2012, 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 16, 2012

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Schedules of Revenues and Expenses

Year Ended June 30, 2012

With Summarized Comparative Totals for 2011

	2012			2011
	Operations	Investment and Endowment	Digital Television Conversion	Total
Revenue and Gains				
Membership	\$ 4,329,862			\$ 4,041,688
State of Maine Corporation for Public Broadcasting	1,954,235			1,902,198
Underwriting	1,569,155			1,504,736
Contributions	1,677,110			1,589,498
Auction	1,376,889	\$ 86,849		1,200,649
Other	78,387			378,543
Government grants	192,722			145,912
Interest on short-term investments	475,482			657,412
Investment income (loss)	2,751			4,362
Other losses		(17,138)		758,521
Amounts allocated under spending formula	(3,180)	(9,000)		(16,253)
In-kind	235,500	(235,500)		
	50,975			34,855
Total Revenues and Gains	11,939,888	(174,789)		12,202,121
Expenses				
Salaries/wages/benefits	5,908,860			5,297,119
Radio	863,706			1,032,485
Television/education	1,114,999			1,178,500
Web - online services	77,692			72,727
Technology and operations	1,086,593			1,106,538
Marketing/communications	77,929			98,245
Development	930,243			884,378
Administration	952,451			684,408
Subtotal	11,012,473			10,354,400
Depreciation	680,531		\$ 440,722	1,088,362
Total Expenses	11,693,004		440,722	11,442,762
Net Revenues Over/(Under) Expenses	\$ 246,884	\$ (174,789)	\$ (440,722)	\$ 759,359

Schedules of Unrestricted Net Assets

June 30, 2012 and 2011

	Operations			Investment in Property and Equipment	Total Operations	Investment and Endowment Board Designated as Endowment	DTV	Total
	Working Capital	Capital Improvements						
2012								
Beginning of Year	\$ 1,125,430	\$ 231,981	\$ 4,924,484	\$ 6,281,895	\$ 3,747,107	\$ 1,315,467	\$ 11,344,469	
Changes in Net Assets	(156,842)	983,087	(680,531)	145,714	(110,769)	(149,845)	(114,900)	
Interfund Transfers	10,071	(935,299)	935,299	10,071	(10,071)			
	<u>\$ 978,659</u>	<u>\$ 279,769</u>	<u>\$ 5,179,252</u>	<u>\$ 6,437,680</u>	<u>\$ 3,626,267</u>	<u>\$ 1,165,622</u>	<u>\$ 11,229,569</u>	
2011								
Beginning of Year	\$ 1,247,454	\$ 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	(602,888)	358,941	649,153	(174,776)	833,318	
Interfund Transfers		(1,162,069)	1,162,069					
	<u>\$ 1,125,430</u>	<u>\$ 231,981</u>	<u>\$ 4,924,484</u>	<u>\$ 6,281,895</u>	<u>\$ 3,747,107</u>	<u>\$ 1,315,467</u>	<u>\$ 11,344,469</u>	

See independent auditors' report on supplementary financial information.