

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



Maine Public Broadcasting Network

**Financial Report  
June 30, 2013**

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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, 2013 and 2012, 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, 2013 and 2012, 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.

*M. Page LLC*

South Portland, Maine  
October 30, 2013

## Statements of Financial Position

June 30,

| <b>ASSETS</b>   | <b>2013</b>          | <b>2012</b>          |
|---|----------------------|----------------------|
| <b>Current Assets</b>   |                      |                      |
| Cash and cash equivalents                                       | \$ 1,155,982         | \$ 1,441,371         |
| Cash and short-term investments designated for capital purposes | 351,476              | 350,727              |
| Accounts and grants receivable                                  | 577,440              | 293,288              |
| Pledges receivable within one year (net)                        | 1,710,426            | 1,537,986            |
| Prepaid expenses  | 82,131               | 139,713              |
| <b>Total Current Assets</b>                                     | <u>3,877,455</u>     | <u>3,763,085</u>     |
| <b>Property and Equipment</b>                                   |                      |                      |
| <b>Digital Conversion Equipment</b>                             |                      |                      |
| Broadcast equipment   | 10,013,293           | 10,700,915           |
| Accumulated depreciation  | (7,347,971)          | (7,603,743)          |
| <b>Total Digital Conversion Equipment</b>                       | <u>2,665,322</u>     | <u>3,097,172</u>     |
| <b>Other Property and Equipment</b>                             |                      |                      |
| Land and improvements   | 259,978              | 259,978              |
| Buildings and improvements                                      | 4,779,389            | 4,779,389            |
| Broadcast equipment   | 11,415,570           | 11,282,587           |
| Office equipment and furniture                                  | 3,135,381            | 3,130,383            |
| Automotive equipment  | 669,609              | 669,609              |
|   | <u>20,259,927</u>    | <u>20,121,946</u>    |
| Accumulated depreciation  | (14,343,826)         | (14,581,149)         |
| <b>Total Other Property and Equipment</b>                       | <u>5,916,101</u>     | <u>5,540,797</u>     |
| <b>Other Assets</b>   |                      |                      |
| Unemployment compensation deposit                               | 19,811               | 19,801               |
| Investments - long-term   | 4,279,213            | 3,934,573            |
| Pledges receivable after one year                               | 534,000              | 495,000              |
| <b>Total Other Assets</b>                                       | <u>4,833,024</u>     | <u>4,449,374</u>     |
| <b>Total Assets</b>   | <u>\$ 17,291,902</u> | <u>\$ 16,850,428</u> |
| <b>LIABILITIES AND NET ASSETS</b>                               |                      |                      |
| <b>Current Liabilities</b>                                      |                      |                      |
| Accounts payable  | \$ 586,371           | \$ 263,877           |
| Accrued expenses  | 714,209              | 613,328              |
| Unearned revenue  | 99,912               |                      |
| <b>Total Current Liabilities</b>                                | <u>1,400,492</u>     | <u>877,205</u>       |
| <b>Long-Term Liabilities</b>                                    |                      |                      |
| Accrued postretirement benefits                                 | 101,664              | 109,264              |
| <b>Total Liabilities</b>  | <u>1,502,156</u>     | <u>986,469</u>       |
| <b>Net Assets</b>   |                      |                      |
| <b>Unrestricted</b>   |                      |                      |
| Operations  | 6,255,877            | 6,437,680            |
| Board designated investment                                     | 3,962,567            | 3,626,267            |
| Digital Television Conversion                                   | 1,018,853            | 1,165,622            |
|   | <u>11,237,297</u>    | <u>11,229,569</u>    |
| Temporarily restricted  | 4,336,511            | 4,418,452            |
| Permanently restricted  | 215,938              | 215,938              |
| <b>Total Net Assets</b>   | <u>15,789,746</u>    | <u>15,863,959</u>    |
| <b>Total Liabilities and Net Assets</b>                         | <u>\$ 17,291,902</u> | <u>\$ 16,850,428</u> |

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

## Statements of Activities

Year Ended June 30, 2013

With Summarized Comparative Totals For 2012

|  | 2013                 |                        |                        | 2012                 |
|--|----------------------|------------------------|------------------------|----------------------|
|  | Unrestricted         | Temporarily Restricted | Permanently Restricted | Total                |
| <b>Operating Revenues and Support</b>              |                      |                        |                        |                      |
| Membership   | \$ 3,983,608         | \$ 635,277             |                        | \$ 4,618,885         |
| State of Maine Corporation for Public Broadcasting | 1,673,997            |                        |                        | 1,954,235            |
| Contributions                                      | 1,473,775            |                        |                        | 1,569,155            |
| Auction  | 1,137,728            | 260,000                |                        | 1,397,728            |
| Underwriting                                       |                      |                        |                        | 78,387               |
| Government grants                                  |                      | 1,802,036              |                        | 1,677,110            |
| Interest on short-term investments                 | 1,193,892            |                        |                        | 475,482              |
| Amount allocated under spending formula            | 1,979                |                        |                        | 2,751                |
| Other  | 140,000              |                        |                        | 235,500              |
| In-kind  | 33,260               |                        |                        | 192,722              |
| Net assets released from restrictions              | 94,773               |                        |                        | 50,975               |
| <b>Total Operating Revenues and Support</b>        | <u>2,315,189</u>     | <u>(2,315,189)</u>     |                        | <u>12,430,325</u>    |
|  | <u>12,048,201</u>    | <u>382,124</u>         |                        | <u>11,943,068</u>    |
| <b>Operating Expenses</b>                          |                      |                        |                        |                      |
| Program service                                    |                      |                        |                        |                      |
| Technical  | 2,194,796            |                        |                        | 2,150,385            |
| Programming and production                         | 5,060,467            |                        |                        | 4,511,940            |
| Public information                                 | 342,292              |                        |                        | 267,847              |
|  | <u>7,597,555</u>     |                        |                        | <u>6,930,172</u>     |
| Development  | 2,468,572            |                        |                        | 2,384,837            |
| Administration                                     | 1,551,774            |                        |                        | 1,697,464            |
| Depreciation (excluding DTV conversion)            | 764,603              |                        |                        | 680,531              |
| <b>Total Operating Expenses</b>                    | <u>12,382,504</u>    |                        |                        | <u>11,693,004</u>    |
| <b>Changes in Net Assets from Operations</b>       | <u>(334,303)</u>     | <u>382,124</u>         |                        | <u>47,821</u>        |
|  |                      |                        |                        | <u>250,064</u>       |
| <b>Non-Operating Activities</b>                    |                      |                        |                        |                      |
| Contributions                                      | 62,322               |                        |                        | 86,849               |
| Investment income (loss)                           | 356,980              | 30,338                 |                        | (17,138)             |
| Amount allocated under spending formula            | (140,000)            |                        |                        | (235,500)            |
| Loss on bad debts                                  |                      |                        |                        | (12,180)             |
| Depreciation on DTV conversion                     | (431,674)            |                        |                        | (440,722)            |
| Net assets released from restrictions              | 494,403              | (494,403)              |                        |                      |
| <b>Change in Net Assets - Non-Operating</b>        | <u>342,031</u>       | <u>(464,065)</u>       |                        | <u>(618,691)</u>     |
| <b>Change in Net Assets</b>                        | <u>7,728</u>         | <u>(81,941)</u>        |                        | <u>(368,627)</u>     |
| <b>Net Assets, Beginning of Year</b>               | <u>11,229,569</u>    | <u>4,418,452</u>       | <u>\$ 215,938</u>      | <u>15,863,959</u>    |
| <b>Net Assets, End of Year</b>                     | <u>\$ 11,237,297</u> | <u>\$ 4,336,511</u>    | <u>\$ 215,938</u>      | <u>\$ 15,863,959</u> |

## Statement of Activities

Year Ended June 30, 2012

|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
| <b>Operating Revenues and Support</b>                 |                      |                           |                           |                      |
| Membership  | \$ 3,786,392         | \$ 543,470                |                           | \$ 4,329,862         |
| State of Maine<br>Corporation for Public Broadcasting | 1,954,235            |                           |                           | 1,954,235            |
| Contributions   | 1,569,155            |                           |                           | 1,569,155            |
| Auction   | 1,376,889            |                           |                           | 1,376,889            |
| Underwriting  | 78,387               |                           |                           | 78,387               |
| Government grants                                     |                      | 1,677,110                 |                           | 1,677,110            |
| Interest on short-term investments                    | 475,482              |                           |                           | 475,482              |
| Amount allocated under spending formula               | 2,751                |                           |                           | 2,751                |
| Other   | 235,500              |                           |                           | 235,500              |
| In-kind   | 192,722              |                           |                           | 192,722              |
| Net assets released from restrictions                 | 50,975               |                           |                           | 50,975               |
|   | 2,116,230            | (2,116,230)               |                           |                      |
| <b>Total Operating Revenues and Support</b>           | <u>11,838,718</u>    | <u>104,350</u>            |                           | <u>11,943,068</u>    |
| <b>Operating Expenses</b>                             |                      |                           |                           |                      |
| 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              |
| <b>Total Operating Expenses</b>                       | <u>11,693,004</u>    |                           |                           | <u>11,693,004</u>    |
| <b>Changes in Net Assets from Operations</b>          | <u>145,714</u>       | <u>104,350</u>            |                           | <u>250,064</u>       |
| <b>Non-Operating Activities</b>                       |                      |                           |                           |                      |
| Contributions   | 86,849               |                           |                           | 86,849               |
| Investment 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 digital television conversion         | (440,722)            |                           |                           | (440,722)            |
| Net assets released from restrictions                 | 346,619              | (346,619)                 |                           |                      |
| <b>Change in Net Assets - Non-Operating</b>           | <u>(260,614)</u>     | <u>(358,077)</u>          |                           | <u>(618,691)</u>     |
| <b>Change in Net Assets</b>                           | <u>(114,900)</u>     | <u>(253,727)</u>          |                           | <u>(368,627)</u>     |
| <b>Net Assets, Beginning of Year</b>                  | <u>11,344,469</u>    | <u>4,672,179</u>          | <u>\$ 215,938</u>         | <u>16,232,586</u>    |
| <b>Net Assets, End of Year</b>                        | <u>\$ 11,229,569</u> | <u>\$ 4,418,452</u>       | <u>\$ 215,938</u>         | <u>\$ 15,863,959</u> |

## Statements of Cash Flows

Years Ended June 30,

|   | 2013                              | 2012                              |
|---|-----------------------------------|-----------------------------------|
| <b>Cash flows from operating activities:</b>  |                                   |                                   |
| Change in net assets  | <u>\$ (74,213)</u>                | <u>\$ (368,627)</u>               |
| Adjustments to reconcile change in net assets to net cash flows from operating activities:            |                                   |                                   |
| Depreciation  | 1,196,277                         | 1,121,253                         |
| Loss on bad debts   |                                   | 12,180                            |
| Net loss on disposal of property and equipment  | 150,440                           | 874                               |
| Net (gain) loss on long-term investments  | (313,622)                         | 96,265                            |
| Contributions and grants restricted for long-lived assets   | (1,118,804)                       | (350,482)                         |
| (Increase) decrease in operating assets:  |                                   |                                   |
| Accounts and grants receivable  | 2,334                             | (25,980)                          |
| Pledges receivable  | (349,940)                         | (66,166)                          |
| Prepaid expenses  | 57,572                            | (20,305)                          |
| Increase (decrease) in operating liabilities:   |                                   |                                   |
| Accounts payable  | (179,881)                         | 192,369                           |
| Accrued expenses  | 100,881                           | 56,339                            |
| Accrued postretirement benefits   | (7,600)                           | (7,600)                           |
| Total adjustments   | <u>(462,343)</u>                  | <u>1,008,747</u>                  |
| <b>Net cash flows from operating activities</b>   | <u><b>(536,556)</b></u>           | <u><b>640,120</b></u>             |
| <b>Cash flows from investing activities</b>   |                                   |                                   |
| Additions to property and equipment   | (787,796)                         | (919,357)                         |
| Proceeds from the sale of investments - long-term   | 920,563                           | 1,092,469                         |
| Purchase of investments - long-term   | (951,581)                         | (1,046,399)                       |
| <b>Net cash flows from investing activities</b>   | <u><b>(818,814)</b></u>           | <u><b>(873,287)</b></u>           |
| <b>Cash flows from financing activities</b>   |                                   |                                   |
| Receipt of contributions and grants for long-lived assets   | 1,070,730                         | 476,830                           |
| <b>Net cash flows from financing activities</b>   | <u><b>1,070,730</b></u>           | <u><b>476,830</b></u>             |
| <b>Change in cash and cash equivalents</b>  | <b>(284,640)</b>                  | <b>243,663</b>                    |
| <b>Cash and cash equivalents, beginning of year</b>   | <u><b>1,542,098</b></u>           | <u><b>1,298,435</b></u>           |
| <b>Cash and cash equivalents, end of year</b>   | <u><u><b>\$ 1,257,458</b></u></u> | <u><u><b>\$ 1,542,098</b></u></u> |
| <b>Composition of cash and cash equivalents at end of year:</b>                                       |                                   |                                   |
| Cash and cash equivalents   | \$ 1,155,982                      | \$ 1,441,371                      |
| Cash and cash equivalents included in cash and short-term investments designated for capital purposes | 101,476                           | 100,727                           |
|   | <u><u><b>\$ 1,257,458</b></u></u> | <u><u><b>\$ 1,542,098</b></u></u> |
| <b>Supplemental disclosures of cash flow information:</b>   |                                   |                                   |
| Cash paid during the year for:  |                                   |                                   |
| Income taxes  | \$ 7,595                          | \$ 15,140                         |

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, 2013

With Summarized Comparative Totals for 2012

|                               | 2013             |                            |                    |                    |              | 2012             |                |               |               |
|-------------------------------|------------------|----------------------------|--------------------|--------------------|--------------|------------------|----------------|---------------|---------------|
|                               | Program Services |                            |                    |                    | Total        | Support Services |                | Total         |               |
|                               | Technical        | Programming and Production | Public Information | Digital Television |              | 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  | \$ 5,886,639  |
| Programming                   |                  | 1,707,879                  |                    |                    | 1,707,879    |                  |                | 1,707,879     | 1,556,531     |
| Professional services         | 400,399          | 321,414                    | 50,434             |                    | 772,247      | 187,966          | 300,351        | 1,260,564     | 1,166,176     |
| Printing                      |                  |                            | 22,690             |                    | 22,690       | 192,465          | 1,980          | 217,135       | 213,795       |
| Electricity                   | 276,868          |                            |                    |                    | 276,868      |                  | 36,802         | 313,670       | 312,124       |
| Maintenance                   | 150,634          | 8,154                      |                    |                    | 158,788      |                  | 91,853         | 250,641       | 224,100       |
| Postage                       | 2,572            | 540                        | 30,862             |                    | 33,974       | 128,893          | 8,322          | 171,189       | 150,181       |
| Travel and conference         | 36,059           | 44,887                     | 2,365              |                    | 83,311       | 36,265           | 30,200         | 149,776       | 154,651       |
| Rent                          | 108,222          | 8,786                      |                    |                    | 117,008      |                  | 101,788        | 218,796       | 209,156       |
| Insurance                     | 22,858           | 72,210                     | 6,234              |                    | 101,302      | 48,210           | 14,546         | 164,058       | 155,443       |
| Telephone                     | 28,908           | 10,632                     |                    |                    | 39,540       | 6,292            | 63,897         | 109,729       | 93,683        |
| Premiums                      |                  |                            |                    |                    |              | 149,818          |                | 149,818       | 171,268       |
| Miscellaneous                 | 2,114            | 18,112                     | 5,064              |                    | 25,290       | 83,520           | 42,005         | 150,815       | 268,587       |
| Office and technical supplies | 19,991           | 30,678                     | 4,533              |                    | 55,202       | 6,772            | 20,637         | 82,611        | 68,973        |
| Minor equipment               |                  | 5,353                      |                    |                    | 5,353        |                  | 36,748         | 42,101        | 96,489        |
| Computer services             | 78,282           | 9                          |                    |                    | 78,291       |                  |                | 78,291        | 46,868        |
| Bank fees and discounts       |                  |                            |                    |                    |              | 111,174          | 2,949          | 114,123       | 109,158       |
| Advertising                   |                  | 489                        | 2,960              |                    | 3,449        |                  | 2,212          | 5,661         | 2,311         |
| Special events                |                  |                            | 1,901              |                    | 1,901        | 4,919            |                | 6,820         | 3,917         |
| Professional dues             |                  | 33,417                     | 350                |                    | 33,767       | 2,138            | 44,173         | 80,078        | 70,553        |
| Strategic initiative/training |                  |                            |                    |                    |              |                  | 28,401         | 28,401        | 26,108        |
| Video tape                    |                  | 8,167                      | 870                |                    | 9,037        | 187              |                | 9,224         | 5,157         |
| Subscriptions                 | 2,334            | 2,480                      |                    |                    | 4,814        | 412              | 1,915          | 7,141         | 5,465         |
| Other taxes                   |                  |                            |                    |                    |              |                  | 7,595          | 7,595         | 15,140        |
| Subtotal                      | 2,194,796        | 5,060,467                  | 342,292            |                    | 7,597,555    | 2,468,572        | 1,551,774      | 11,617,901    | 11,012,473    |
| Depreciation                  | 551,518          | 58,671                     | 13,953             | \$ 431,674         | 1,055,816    | 107,904          | 32,557         | 1,196,277     | 1,121,253     |
| Totals                        | \$ 2,746,314     | \$ 5,119,138               | \$ 356,245         | \$ 431,674         | \$ 8,653,371 | \$ 2,576,476     | \$ 1,584,331   | \$ 12,814,178 | \$ 12,133,726 |

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

## Statements of Functional Expenses

Year Ended June 30, 2012

|                               | 2012             |                            |                    |                    |                  |              |                |               |
|-------------------------------|------------------|----------------------------|--------------------|--------------------|------------------|--------------|----------------|---------------|
|                               | Program Services |                            |                    |                    | Support Services |              |                |               |
|                               | Technical        | Programming and Production | Public Information | Digital Television | 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  |
| Programming                   |                  | 1,556,531                  |                    |                    | 1,556,531        |              |                | 1,556,531     |
| Professional services         | 421,953          | 283,159                    | 27,125             |                    | 732,237          | 206,266      | 227,673        | 1,166,176     |
| Printing                      |                  | 20                         | 17,070             |                    | 17,090           | 195,835      | 870            | 213,795       |
| Electricity                   | 273,048          |                            |                    |                    | 273,048          |              | 39,076         | 312,124       |
| Maintenance                   | 143,896          | 6,450                      |                    |                    | 150,346          |              | 73,754         | 224,100       |
| Postage                       | 1,852            | 628                        | 26,847             |                    | 29,327           | 111,847      | 9,007          | 150,181       |
| Travel and conference         | 36,573           | 32,191                     | 268                |                    | 69,032           | 34,047       | 51,572         | 154,651       |
| Rent                          | 107,263          | 9,625                      |                    |                    | 116,888          |              | 92,268         | 209,156       |
| Insurance                     | 24,092           | 69,961                     | 3,707              |                    | 97,760           | 44,710       | 12,973         | 155,443       |
| Telephone                     | 27,929           | 6,679                      | 90                 |                    | 34,698           | 5,583        | 53,402         | 93,683        |
| Premiums                      |                  |                            |                    |                    |                  | 171,268      |                | 171,268       |
| Miscellaneous                 | 6,404            | 18,815                     | 3,558              |                    | 28,777           | 81,230       | 158,580        | 268,587       |
| Office and technical supplies | 18,216           | 19,701                     | 1,776              |                    | 39,693           | 11,638       | 17,642         | 68,973        |
| Minor equipment               |                  | 9,731                      |                    |                    | 9,731            |              | 86,758         | 96,489        |
| Computer services             | 46,868           |                            |                    |                    | 46,868           |              |                | 46,868        |
| Bank fees and discounts       |                  |                            |                    |                    |                  | 105,566      | 3,592          | 109,158       |
| Advertising                   |                  |                            | 1,194              |                    | 1,194            |              | 1,117          | 2,311         |
| Special events                |                  |                            |                    |                    |                  | 3,917        |                | 3,917         |
| Professional dues             |                  | 35,406                     |                    |                    | 35,406           | 2,281        | 32,866         | 70,553        |
| Strategic initiative/training |                  |                            |                    |                    |                  |              | 26,108         | 26,108        |
| Video tape                    |                  | 4,540                      |                    |                    | 4,540            | 617          |                | 5,157         |
| Subscriptions                 | 2,587            | 1,550                      |                    |                    | 4,137            | 148          | 1,180          | 5,465         |
| Other taxes                   |                  |                            |                    |                    |                  |              | 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    |
| Depreciation                  | 494,342          | 43,116                     | 8,638              | \$ 440,722         | 986,818          | 104,201      | 30,234         | 1,121,253     |
| Totals                        | \$ 2,644,727     | \$ 4,555,056               | \$ 276,485         | \$ 440,722         | \$ 7,916,990     | \$ 2,489,038 | \$ 1,727,698   | \$ 12,133,726 |

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

## Notes to Financial Statements

June 30, 2013 and 2012

### 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, 2013 and 2012

### 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, 2013 and 2012

### 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, 2013 and 2012, 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, 2010 through June 30, 2013.

## Notes to Financial Statements

June 30, 2013 and 2012

### 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, 2013 and 2012

### NOTE 3 – PLEDGES RECEIVABLE

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

|   | 2013                | 2012                |
|---|---------------------|---------------------|
| Capital campaign                                      | \$ 117,500          | \$ 10,000           |
| Charitable lead interest trust                        | 495,000             | 530,000             |
| Membership contributions                              | 907,737             | 776,584             |
| General   |                     | 91,000              |
| Underwriting  | 996,649             | 858,516             |
|   | <u>2,516,886</u>    | <u>2,266,100</u>    |
| Less allowance for uncollectible pledges and discount | 272,460             | 233,114             |
| Total unconditional promises to give                  | <u>\$ 2,244,426</u> | <u>\$ 2,032,986</u> |
| Amount due in:  |                     |                     |
| Less than one year                                    | \$ 1,982,886        | \$ 1,771,100        |
| One to five years                                     | 298,000             | 209,000             |
| Thereafter  | 236,000             | 286,000             |
|   | <u>\$ 2,516,886</u> | <u>\$ 2,266,100</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:

|                        | 2013              | 2012              |
|------------------------|-------------------|-------------------|
| Cash                   | \$ 101,476        | \$ 100,727        |
| Certificate of deposit | 250,000           | 250,000           |
|                        | <u>\$ 351,476</u> | <u>\$ 350,727</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 \$140,000 from the endowment for the fiscal year ended June 30, 2013. This amount was less than the amount allowed to be spent under MPBN's spending policy. For the fiscal year ended June 30, 2012 the Finance Committee elected to spend \$235,500, which included an additional authorized expenditure above the spending policy described in Note 1, for a specific purpose.

## Notes to Financial Statements

June 30, 2013 and 2012

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

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

|                                    | 2013                | 2012                |
|------------------------------------|---------------------|---------------------|
| Cash and money market accounts     | \$ 207,340          | \$ 62,990           |
| U.S. Government Agency Obligations | 485,529             | 505,378             |
| Mutual funds – fixed income        | 503,427             | 405,067             |
| Equity securities                  | 1,398,017           | 1,445,025           |
| Mutual funds – equity securities   | 1,684,900           | 1,516,113           |
|                                    | <u>\$ 4,279,213</u> | <u>\$ 3,934,573</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> |

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> |

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, 2013. Deficiencies of this nature amounted to \$382 as of June 30, 2012.

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:                                |                     |                        |                        |                     |
| Investment income                                 | 67,931              | 5,765                  |                        | 73,696              |
| Net appreciation                                  | 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> |



## Notes to Financial Statements

June 30, 2013 and 2012

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

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 appreciation                                  | (83,167)            | (13,057)               |                        | (96,224)            |
| Contributions                                     | 88,615              |                        |                        | 88,615              |
| Transfers to 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> |

### 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, 2013 and 2012 and the lines of credit were not used during the years then ended. The lines of credit mature in November 2013 and February 2014 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, 2013 and 2012 was \$101,664 and \$109,264, respectively.

## Notes to Financial Statements

June 30, 2013 and 2012

### NOTE 9 – FAIR VALUES

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

|   | Total               | Level 1             | Level 2             | Level 3     |
|---|---------------------|---------------------|---------------------|-------------|
| <b>June 30, 2013:</b>   |                     |                     |                     |             |
| 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 – equity securities  | 1,684,900           | 1,684,900           |                     |             |
| Pledges receivable -<br>Beneficial interest in<br>charitable lead interest<br>trust | 495,000             |                     | 495,000             |             |
| <b>Total</b>  | <b>\$ 4,774,213</b> | <b>\$ 3,793,684</b> | <b>\$ 980,529</b>   | <b>\$ -</b> |
| <b>June 30, 2012:</b>   |                     |                     |                     |             |
| 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  | 1,516,113           | 1,516,113           |                     |             |
| Pledges receivable -<br>Beneficial interest in<br>charitable lead interest<br>trust | 530,000             |                     | 530,000             |             |
| <b>Total</b>  | <b>\$ 4,464,573</b> | <b>\$ 3,429,195</b> | <b>\$ 1,035,378</b> | <b>\$ -</b> |

### 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 \$235,744 and \$231,167 in 2013 and 2012, 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 2013 and 2012, 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 \$876,261 and \$865,478 for the years ended June 30, 2013 and 2012, respectively. The statement of financial position includes \$104,751 and \$93,481 of accrued medical claims as of June 30, 2013 and 2012, respectively.

## Notes to Financial Statements

June 30, 2013 and 2012

### NOTE 12 – DONATED SUPPORT

The value of certain volunteer services of approximately \$27,500 and \$36,100 in 2013 and 2012, 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 totaled approximately \$127,000 and \$135,000 during the years ended June 30, 2013 and 2012, 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 totaled approximately \$125,000 during each of the years ended June 30, 2013 and 2012.

### NOTE 14 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

|                                | Balance<br>June 30, 2012 | Revenue             | Net Assets<br>Released<br>and Losses | Balance<br>June 30, 2013 |
|--------------------------------|--------------------------|---------------------|--------------------------------------|--------------------------|
| Membership pledges             | \$ 543,470               | \$ 635,277          | \$ (543,470)                         | \$ 635,277               |
| Underwriting pledges           | 858,516                  | 1,802,036           | (1,663,903)                          | 996,649                  |
| General                        | 91,000                   |                     | (91,000)                             |                          |
| Donated building               | 361,545                  |                     | (16,816)                             | 344,729                  |
|                                | <u>1,854,531</u>         | <u>2,437,313</u>    | <u>(2,315,189)</u>                   | <u>1,976,655</u>         |
| Charitable lead interest trust | 530,000                  |                     | (35,000)                             | 495,000                  |
| Capital campaign pledges       | 10,000                   | 260,000             | (152,500)                            | 117,500                  |
| Endowment gains                | 92,371                   | 30,338              | (21,998)                             | 100,711                  |
|                                | <u>632,371</u>           | <u>290,338</u>      | <u>(209,498)</u>                     | <u>713,211</u>           |
| Digital television             | 1,931,550                |                     | (284,905)                            | 1,646,645                |
| Totals                         | <u>\$ 4,418,452</u>      | <u>\$ 2,727,651</u> | <u>\$ (2,809,592)</u>                | <u>\$ 4,336,511</u>      |

## Notes to Financial Statements

June 30, 2013 and 2012

### 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 ten 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, |                     |
|-----------------------|---------------------|
| 2014                  | \$ 213,000          |
| 2015                  | 215,000             |
| 2016                  | 203,000             |
| 2017                  | 139,000             |
| 2018                  | 141,000             |
| Thereafter            | 307,000             |
|                       | <u>\$ 1,218,000</u> |

Rent expense for the above leases for the years ended June 30, 2013 and 2012 was approximately \$219,000 and \$209,000, respectively.

### NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2013, the date the financial statements were available to be issued.



Accessible  
Approachable  
Accountable

## 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, 2013 and 2012, and our report thereon dated October 30, 2013, 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 30, 2013

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### Macpage LLC

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## Schedules of Revenues and Expenses

Year Ended June 30, 2013

With Summarized Comparative Totals for 2012

|   | 2013              |                                |                                     | 2012                |
|---|-------------------|--------------------------------|-------------------------------------|---------------------|
|   | Operations        | Investment<br>and<br>Endowment | Digital<br>Television<br>Conversion | Total               |
| <b>Revenue and Gains</b>                              |                   |                                |                                     | <b>Total</b>        |
| Membership  | \$ 4,618,885      |                                |                                     | \$ 4,329,862        |
| State of Maine<br>Corporation for Public Broadcasting | 1,673,997         |                                |                                     | 1,954,235           |
| Underwriting  | 1,473,775         |                                |                                     | 1,569,155           |
| Contributions   | 1,802,036         |                                |                                     | 1,677,110           |
| Auction   | 1,397,728         | \$ 62,322                      |                                     | 1,463,738           |
| Other   |                   |                                |                                     | 78,387              |
| Government grants                                     | 33,260            |                                |                                     | 192,722             |
| Interest on short-term investments                    | 1,193,892         |                                |                                     | 475,482             |
| Investment income (loss)                              | 1,979             |                                |                                     | 2,751               |
| Other losses  | 6,589             | 380,729                        |                                     | (17,138)            |
| Amounts allocated under spending formula              | 140,000           | (140,000)                      |                                     | (12,180)            |
| In-kind   | 94,773            |                                |                                     | 50,975              |
| <b>Total Revenues and Gains</b>                       | <b>12,436,914</b> | <b>303,051</b>                 |                                     | <b>11,765,099</b>   |
| <b>Expenses</b>                                       |                   |                                |                                     |                     |
| Salaries/wages/benefits                               | 6,291,778         |                                |                                     | 5,908,860           |
| Radio   | 1,057,913         |                                |                                     | 863,706             |
| Television/education                                  | 1,153,790         |                                |                                     | 1,114,999           |
| Web - online services                                 | 69,776            |                                |                                     | 77,692              |
| Technology and operations                             | 1,106,390         |                                |                                     | 1,086,593           |
| Marketing/communications                              | 122,028           |                                |                                     | 77,929              |
| Development   | 910,821           |                                |                                     | 930,243             |
| Administration  | 905,405           |                                |                                     | 952,451             |
| Subtotal  | 11,617,901        |                                |                                     | 11,012,473          |
| Depreciation  | 764,603           |                                | \$ 431,674                          | 1,121,253           |
| <b>Total Expenses</b>                                 | <b>12,382,504</b> |                                | <b>431,674</b>                      | <b>12,133,726</b>   |
| <b>Net Revenues Over/(Under) Expenses</b>             | <b>\$ 54,410</b>  | <b>\$ 303,051</b>              | <b>\$ (431,674)</b>                 | <b>\$ (368,627)</b> |

## Schedules of Unrestricted Net Assets

June 30, 2013 and 2012

|                       | Operations        |                      |                                      |                     | Investment and Endowment      | DTV                 | Total                |
|-----------------------|-------------------|----------------------|--------------------------------------|---------------------|-------------------------------|---------------------|----------------------|
|                       | Working Capital   | Capital Improvements | Investment in Property and Equipment | Total Operations    | Board Designated as Endowment | Digital Television  |                      |
| <b>2013</b>           |                   |                      |                                      |                     |                               |                     |                      |
| 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> |
| <b>2012</b>           |                   |                      |                                      |                     |                               |                     |                      |
| 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> |