

Maine Public Broadcasting Corporation
d/b/a



Financial Report
June 30, 2017

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Maine Public Broadcasting Corporation d/b/a Maine Public (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 auditors' 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.



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

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 as of June 30, 2017 and 2016, 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.

Maspaya LLC

South Portland, Maine
November 7, 2017

Statements of Financial Position

June 30,

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 3,102,786	\$ 1,833,360
Cash and short-term investments designated for capital purposes	354,792	354,261
Accounts and grants receivable	25,046	8,019
Pledges receivable within one year, net of allowance	2,788,901	2,687,841
Prepaid expenses	91,363	144,224
Total Current Assets	6,362,888	5,027,705
Property and Equipment		
Broadcast equipment	20,452,100	20,304,931
Land and improvements	259,978	259,978
Buildings and improvements	5,066,296	4,967,923
Office equipment and furniture	3,398,279	3,305,223
Automotive equipment	607,391	607,391
	29,784,044	29,445,446
Accumulated depreciation	(22,753,866)	(22,285,533)
Total Property and Equipment	7,030,178	7,159,913
Other Assets		
Unemployment compensation deposit	61,932	61,901
Investments - long-term	6,002,064	5,440,611
Pledges receivable after one year	2,254,086	1,402,000
Total Other Assets	8,318,082	6,904,512
Total Assets	\$ 21,711,148	\$ 19,092,130
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 98,485	\$ 103,213
Accrued expenses and other	583,372	763,237
Total Current Liabilities	681,857	866,450
Long-Term Liabilities		
Accrued postretirement benefits	71,264	78,864
Total Long-Term Liabilities	71,264	78,864
Total Liabilities	753,121	945,314
Net Assets		
Unrestricted		
Operations	8,715,249	7,297,990
Board designated investment	5,444,481	4,971,025
	14,159,730	12,269,015
Temporarily restricted	6,411,315	5,532,669
Permanently restricted	386,982	345,132
Total Net Assets	20,958,027	18,146,816
Total Liabilities and Net Assets	\$ 21,711,148	\$ 19,092,130

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

Statements of Activities

Year Ended June 30, 2017

With Summarized Comparative Totals For 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 4,400,954	\$ 878,214		\$ 5,279,168
State of Maine Corporation for Public Broadcasting	1,500,000			1,500,000
Contributions	1,694,993			1,680,944
Underwriting	1,365,655	2,932,893		4,298,548
Government grants		2,421,934		2,421,934
Interest on short-term investments	11,750			62,662
Amount allocated under spending formula	190,000			4,606
Other	377,858			190,000
In-kind	87,685			331,477
Net assets released from restrictions	5,345,859	(5,345,859)		31,822
Total Operating Revenues and Support	14,974,754	887,182		15,861,936
				14,284,022
Operating Expenses				
Program service				
Technical	2,302,322			2,302,322
Programming and production	5,301,957			4,961,781
Public information	502,300			536,502
	8,106,579			7,718,452
Development	2,671,096			2,524,391
Administration	1,627,387			1,640,402
Depreciation	1,199,616			1,160,901
Total Operating Expenses	13,604,678			13,604,678
				13,044,146
Changes in Net Assets from Operations	1,370,076	887,182		2,257,258
				1,239,876
Non-Operating Activities				
Contributions	86,019		\$ 41,850	127,869
Investment income	563,051	53,033		348,370
Amount allocated under spending formula	(190,000)			83,680
Net assets released from restrictions	61,569	(61,569)		(190,000)
Change in Net Assets - Non-Operating	520,639	(8,536)	41,850	553,953
				242,050
Change in Net Assets	1,890,715	878,646	41,850	2,811,211
				1,481,926
Net Assets, Beginning of Year	12,269,015	5,532,669	345,132	18,146,816
				16,664,890
Net Assets, End of Year	\$ 14,159,730	\$ 6,411,315	\$ 386,982	\$ 20,958,027
				\$ 18,146,816

Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	\$ 4,216,651	\$ 802,046		\$ 5,018,697
State of Maine Corporation for Public Broadcasting	1,500,000			1,500,000
Contributions	1,680,944			1,680,944
Underwriting	1,380,964	1,689,324		3,070,288
Government grants	62,662	2,393,526		2,393,526
Interest on short-term investments	4,606			4,606
Amount allocated under spending formula	190,000			190,000
Other	331,477			331,477
In-kind	31,822			31,822
Net assets released from restrictions	3,644,088	(3,644,088)		
Total Operating Revenues and Support	<u>13,043,214</u>	<u>1,240,808</u>		<u>14,284,022</u>
Operating Expenses				
Program service				
Technical	2,220,169			2,220,169
Programming and production	4,961,781			4,961,781
Public information	536,502			536,502
	<u>7,718,452</u>			<u>7,718,452</u>
Development	2,524,391			2,524,391
Administration	1,640,402			1,640,402
Depreciation	1,160,901			1,160,901
Total Operating Expenses	<u>13,044,146</u>			<u>13,044,146</u>
Changes in Net Assets from Operations	<u>(932)</u>	<u>1,240,808</u>		<u>1,239,876</u>
Non-Operating Activities				
Contributions	309,095		39,275	348,370
Investment income	73,409	10,271		83,680
Amount allocated under spending formula	(190,000)			(190,000)
Net assets released from restrictions	57,782	(57,782)		
Change in Net Assets - Non-Operating	<u>250,286</u>	<u>(47,511)</u>	<u>39,275</u>	<u>242,050</u>
Change in Net Assets	249,354	1,193,297	39,275	1,481,926
Net Assets, Beginning of Year	<u>12,019,661</u>	<u>4,339,372</u>	<u>305,857</u>	<u>16,664,890</u>
Net Assets, End of Year	<u>\$ 12,269,015</u>	<u>\$ 5,532,669</u>	<u>\$ 345,132</u>	<u>\$ 18,146,816</u>

Statements of Cash Flows

Years Ended June 30,

	2017	2016
Cash flows from operating activities:		
Change in net assets	<u>\$ 2,811,211</u>	<u>\$ 1,481,926</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,199,616	1,160,901
Provision for bad debts	15,022	6,294
Net (gain) loss on long-term investments	(525,369)	21,083
Permanently restricted contributions	(41,850)	(39,275)
Contributions and grants restricted for long-lived assets	(39,400)	(62,662)
(Increase) decrease in:		
Accounts and grants receivable	(32,049)	7,528
Pledges receivable	(911,296)	(1,354,542)
Prepaid expenses	52,830	(29,565)
Decrease in:		
Accounts payable	(4,728)	(58,746)
Accrued expenses and other	(179,865)	(97,153)
Accrued postretirement benefits	(7,600)	(7,600)
Total adjustments	<u>(474,689)</u>	<u>(453,737)</u>
Net cash flows from operating activities	<u>2,336,522</u>	<u>1,028,189</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,030,481)	(451,753)
Proceeds from the sale of investments - short-term		250,000
Proceeds from the sale of investments - long-term	1,539,166	139,172
Purchase of investments - long-term	<u>(1,624,600)</u>	<u>(457,320)</u>
Net cash flows from investing activities	<u>(1,115,915)</u>	<u>(519,901)</u>
Cash flows from financing activities		
Receipt of permanently restricted contributions	49,350	52,275
Receipt of contributions and grants for long-lived assets		62,662
Net cash flows from financing activities	<u>49,350</u>	<u>114,937</u>
Change in cash and cash equivalents	1,269,957	623,225
Cash and cash equivalents, beginning of year	<u>2,187,621</u>	<u>1,564,396</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,457,578</u></u>	<u><u>\$ 2,187,621</u></u>
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 3,102,786	\$ 1,833,360
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	<u>354,792</u>	<u>354,261</u>
	<u><u>\$ 3,457,578</u></u>	<u><u>\$ 2,187,621</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 6,612	\$ 2,677

Statements of Functional Expenses

Year Ended June 30, 2017

With Summarized Comparative Totals For 2016

	2017							2016
	Program Services				Support Services			Total
	Technical	Programming and Production	Public Information	Total	Development	Administration	Total	
Salaries and benefits	\$ 1,011,011	\$ 2,945,381	\$ 323,320	\$ 4,279,712	\$ 1,672,800	\$ 934,061	\$ 6,886,573	\$ 6,484,794
Programming		1,776,470		1,776,470			1,776,470	1,768,761
Professional services	422,555	317,389	62,818	802,762	118,201	177,934	1,098,897	1,122,534
Printing		2,001	37,713	39,714	222,607	4,323	266,644	227,086
Electricity	278,658			278,658		31,421	310,079	292,851
Maintenance	180,806	2,969		183,775		96,649	280,424	260,973
Postage	1,088	(1,006)	46,397	46,479	139,000	5,890	191,369	193,114
Travel and conference	26,073	36,700	4,474	67,247	53,760	44,106	165,113	167,769
Rent	202,558	6,901		209,459		110,357	319,816	250,016
Insurance	16,711	56,057	6,077	78,845	35,358	12,912	127,115	160,630
Telephone	50,290	12,646		62,936	10,701	88,960	162,597	151,140
Premiums					142,022		142,022	159,948
Miscellaneous	925	29,552	7,389	37,866	97,372	29,480	164,718	179,541
Office and technical supplies	30,070	42,277	6,792	79,139	8,262	30,377	117,778	72,281
Minor equipment		16,326		16,326			16,326	8,596
Computer services	79,640	1,440		81,080			81,080	79,854
Bank fees and discounts					150,916	7,248	158,164	153,705
Advertising		500	6,113	6,613		785	7,398	10,437
Special events			1,108	1,108	16,717		17,825	29,984
Professional dues		40,414		40,414	2,487	37,723	80,624	85,445
Strategic initiative/training						6,992	6,992	6,544
Video tape		3,298		3,298			3,298	1,289
Subscriptions	1,937	12,642	99	14,678	893	1,557	17,128	13,276
Other taxes						6,612	6,612	2,677
Subtotal	2,302,322	5,301,957	502,300	8,106,579	2,671,096	1,627,387	12,405,062	11,883,245
Depreciation	922,845	92,349	20,620	1,035,814	119,983	43,819	1,199,616	1,160,901
Totals	\$ 3,225,167	\$ 5,394,306	\$ 522,920	\$ 9,142,393	\$ 2,791,079	\$ 1,671,206	\$ 13,604,678	\$ 13,044,146

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

Statements of Functional Expenses

Year Ended June 30, 2016

	2016						
	Program Services				Support Services		
	Technical	Programming and Production	Public Information	Total	Development	Administration	Total
Salaries and benefits	\$ 975,739	\$ 2,685,037	\$ 336,404	\$ 3,997,180	\$ 1,578,800	\$ 908,814	\$ 6,484,794
Programming		1,768,761		1,768,761			1,768,761
Professional services	443,469	277,074	67,764	788,307	89,140	245,087	1,122,534
Printing			42,735	42,735	183,759	592	227,086
Electricity	261,889			261,889		30,962	292,851
Maintenance	184,312	6,291		190,603		70,370	260,973
Postage	1,746	491	47,370	49,607	138,252	5,255	193,114
Travel and conference	27,826	37,476	5,284	70,586	40,023	57,160	167,769
Rent	142,450	5,962		148,412		101,604	250,016
Insurance	21,346	71,316	7,762	100,424	44,681	15,525	160,630
Telephone	49,477	11,761		61,238	9,594	80,308	151,140
Premiums					159,948		159,948
Miscellaneous	5,626	24,057	5,414	35,097	93,855	50,589	179,541
Office and technical supplies	26,006	12,531	5,709	44,246	17,002	11,033	72,281
Minor equipment		7,462		7,462		1,134	8,596
Computer services	78,414	1,440		79,854			79,854
Bank fees and discounts					146,548	7,157	153,705
Advertising			9,802	9,802		635	10,437
Special events			7,986	7,986	21,998		29,984
Professional dues		41,569	248	41,817	396	43,232	85,445
Strategic initiative/training						6,544	6,544
Video tape		1,289		1,289			1,289
Subscriptions	1,869	9,264	24	11,157	395	1,724	13,276
Other taxes						2,677	2,677
Subtotal	2,220,169	4,961,781	536,502	7,718,452	2,524,391	1,640,402	11,883,245
Depreciation	911,580	77,458	19,627	1,008,665	112,980	39,256	1,160,901
Totals	\$ 3,131,749	\$ 5,039,239	\$ 556,129	\$ 8,727,117	\$ 2,637,371	\$ 1,679,658	\$ 13,044,146

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

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Accounting

Maine Public's financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements have been prepared in accordance with principles generally accepted in the United States of America and therefore, Maine Public 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 Maine Public and/or the passage of time.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. 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, 2017 and 2016

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 five years. Maine Public capitalizes the cost of purchases in excess of \$2,500. Costs of repairs and maintenance are charged to operating expenses as incurred. Upon sale or retirement, the cost and accumulated depreciation are removed and any resulting gain or loss is included in the statement of activities.

Donated Assets

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

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations regarding how long the contributed assets must be used, Maine Public 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.

Maine Public's investment policy and spending policy for long-term investments is, as follows:

Investment Objective: Maine Public 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 the asset class return assumptions, the long-term expected annual return for this objective should fall within a range between 5.5 and 7%.

Risk Tolerance: Maine Public 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, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments – Continued

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

Time Horizon: Long-term.

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

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

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

- as increases in temporarily restricted net assets if the terms of the gift or Maine Public'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

Maine Public 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 and investment gains and losses of the endowment funds.

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

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

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, Maine Public 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, Maine Public uses various methods, including market, income and cost approaches. Based on these approaches, Maine Public 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. Maine Public 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, Maine Public is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. There was no effect on the 2016 change in net assets as a result of such reclassifications.

Recent Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Updated (ASU) 2016-02 *Leases* (Topic 842). This standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of organizations that lease. The standard is for a dual-model approach; a lessee will account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both will be reported on the balance sheet of the organization for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic organizations, the pronouncement is effective for fiscal years beginning after December 15, 2019. The standard requires retroactive application to previously issued financial statements for 2019 and 2018, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements – Continued

Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, to amend current reporting requirements to make several improvements, including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for annual periods beginning after December 15, 2017, with early application permitted. This standard requires retroactive application to previously issued financial statements for 2018 and 2017, if presented. Management is currently evaluating the impact of adoption on its financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Maine Public 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.

NOTE 3 – PLEDGES RECEIVABLE

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

	2017	2016
Membership contributions	\$ 1,254,593	\$ 1,145,778
Underwriting	1,080,740	1,096,310
General	160,914	150,000
Capital campaign	2,677,117	1,648,986
Endowment	7,000	14,500
Charitable lead interest trust	334,000	378,000
	<u>5,514,364</u>	<u>4,433,574</u>
Less allowance for uncollectible pledges	376,377	343,733
Less discount	95,000	
Total unconditional promises to give	<u>\$ 5,042,987</u>	<u>\$ 4,089,841</u>
Amount due in:		
Less than one year	\$ 3,165,278	
One to five years	2,349,086	
Thereafter		
	<u>\$ 5,514,364</u>	

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 4 – CASH AND SHORT-TERM INVESTMENTS – DESIGNATED FOR CAPITAL PURPOSES

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

	2017	2016
Cash	<u>\$ 354,792</u>	<u>\$ 354,261</u>

NOTE 5 – INVESTMENTS – LONG-TERM

Maine Public'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. Maine Public's Finance Committee elected to spend \$190,000 from the endowment for the years ended 2017 and 2016. These amounts were less than the amount allowed to be spent under Maine Public's spending policy.

Maine Public's investments at June 30 consist of the following:

	2017	2016
Cash and money market accounts	\$ 238,850	\$ 317,102
U.S. Government Agency Obligations	308,272	421,749
Mutual funds – fixed income	1,289,622	839,692
Mutual funds – equity securities	4,165,320	3,862,068
	<u>\$ 6,002,064</u>	<u>\$ 5,440,611</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2017 is, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 177,601	\$ 379,982	\$ 557,583
Board-designated endowment funds	\$ 5,444,481			5,444,481
Total funds	<u>\$ 5,444,481</u>	<u>\$ 177,601</u>	<u>\$ 379,982</u>	<u>\$ 6,002,064</u>

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2016 is, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (3,183)	\$ 142,137	\$ 330,632	\$ 469,586
Board-designated endowment funds	4,971,025			4,971,025
Total funds	<u>\$ 4,967,842</u>	<u>\$ 142,137</u>	<u>\$ 330,632</u>	<u>\$ 5,440,611</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 Maine Public to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2017 and \$3,183 of these deficiencies as of June 30, 2016.

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 5 – INVESTMENTS – LONG-TERM – CONTINUED

Changes in endowment net assets for the year ended 2017 are, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 4,967,842	\$ 142,137	\$ 330,632	\$ 5,440,611
Investment return:				
Interest and dividends	84,350	8,436		92,786
Net gain	478,701	44,597		523,298
Contributions	86,019		49,350	135,369
Appropriation of endowment assets for expenditure	(172,431)	(17,569)		(190,000)
End of year	<u>\$ 5,444,481</u>	<u>\$ 177,601</u>	<u>\$ 379,982</u>	<u>\$ 6,002,064</u>

Changes in endowment net assets for the year ended 2016 are, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 4,749,816	\$ 147,648	\$ 298,357	\$ 5,195,821
Investment return:				
Interest and dividends	98,080	8,768		106,848
Net gain (loss)	(24,671)	1,503		(23,168)
Contributions	318,835		32,275	351,110
Appropriation of endowment assets for expenditure	(174,218)	(15,782)		(190,000)
End of year	<u>\$ 4,967,842</u>	<u>\$ 142,137</u>	<u>\$ 330,632</u>	<u>\$ 5,440,611</u>

NOTE 6 – LINES OF CREDIT

Maine Public has available \$500,000 and \$300,000 unsecured lines of credit with variable interest rates. On January 30, 2017, the availability of the \$300,000 line of credit increased to \$500,000. There were no outstanding balances on the lines of credit at June 30, 2017 and 2016, and the lines of credit were not used during the years then ended. The lines of credit mature in February 2018 and January 2018, respectively, and are subject to review at that time.

NOTE 7 – POSTRETIREMENT BENEFITS

Maine Public 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 Maine Public. When retired or disabled participants reached age 65, Medicare became their primary plan and Maine Public's plan became secondary. Maine Public continued to pay 90% of medical coverage for the secondary coverage. The Plan was curtailed during the year ended June 30, 1997.

In 1997, Maine Public offered to continue special benefits to its employees who elected voluntary retirement from employment by a specified period of time and notified Maine Public 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, 2017 and 2016 was \$71,264 and \$78,864, respectively.

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 8 – FAIR VALUE MEASUREMENT

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

	Total	Level 1	Level 2	Level 3
June 30, 2017:				
Cash equivalents	\$ 238,850	\$ 238,850		
U.S. Government Obligations	308,272		\$ 308,272	
Mutual funds – fixed income	1,289,622	1,289,622		
Mutual funds – equity securities	4,165,320	4,165,320		
Pledges receivable - Beneficial interest in charitable lead interest trust	334,000		334,000	
Total	<u>\$ 6,336,064</u>	<u>\$ 5,693,792</u>	<u>\$ 642,272</u>	<u>\$ -</u>
June 30, 2016:				
Cash equivalents	\$ 317,102	\$ 317,102		
U.S. Government Obligations	421,749		\$ 421,749	
Mutual funds – fixed income	839,692	839,692		
Mutual funds – equity securities	3,862,068	3,862,068		
Pledges receivable - Beneficial interest in charitable lead interest trust	378,000		378,000	
Total	<u>\$ 5,818,611</u>	<u>\$ 5,018,862</u>	<u>\$ 799,749</u>	<u>\$ -</u>

NOTE 9 – RETIREMENT PLAN

Employees participate in individual annuity contracts through Teachers Insurance and Annuity Association. Contributions for each annuity are made both by the participant and Maine Public. Maine Public contributes between 3% and 6.5% of an employee's salary on a graduated rate based upon an employee's contribution. Maine Public's contributions were approximately \$336,000 and \$300,000 in 2017 and 2016, respectively.

NOTE 10 – HEALTH INSURANCE PLAN

Maine Public'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 2017 and 2016, Maine Public's reinsurance policy provided payment for per person annual claim costs in excess of \$55,000. Total net cost for claims, administration and stop loss insurance totaled \$775,905 and \$765,214 for the years ended 2017 and 2016, respectively. The statement of financial position includes \$84,531 and \$89,735 of accrued medical claims as of June 30, 2017 and 2016, respectively.

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 11 – RELATED PARTY

Maine Public purchases various products and services from the University of Maine System, a related party. The amount paid to the University of Maine System totaled approximately \$141,600 and 113,600 during the years ended 2017 and 2016, respectively. The purchases included fuel, printing and telecommunication services.

NOTE 12 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	Balance June 30, 2016	Revenue	Net Assets Released and Losses	Balance June 30, 2017
Membership pledges	\$ 802,046	\$ 878,214	\$ (802,046)	\$ 878,214
Underwriting pledges	1,101,073	2,421,934	(2,442,267)	1,080,740
General	150,000	159,914	(149,000)	160,914
Capital campaign pledges	1,648,522	2,772,979	(1,744,385)	2,677,116
Donated building	294,281		(16,816)	277,465
Digital television	1,016,610		(191,345)	825,265
	<u>5,012,532</u>	<u>6,233,041</u>	<u>(5,345,859)</u>	<u>5,899,714</u>
Charitable lead interest trust	378,000		(44,000)	334,000
Endowment gains	142,137	53,033	(17,569)	177,601
	<u>520,137</u>	<u>53,033</u>	<u>(61,569)</u>	<u>511,601</u>
Totals	<u>\$ 5,532,669</u>	<u>\$ 6,286,074</u>	<u>\$ (5,407,428)</u>	<u>\$ 6,411,315</u>

Permanently restricted net assets are restricted by donors, the income from which is expendable to support general operations. Total permanently restricted assets as of June 30, 2017 and 2016 was \$386,981 and \$345,132 (as restated), respectively.

NOTE 13 – CONTINGENCIES

Grants

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

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 14 – LEASES

Maine Public has an operating lease, dated November 2010, for its Portland facility. The lease requires monthly rental payments of \$7,050, plus property taxes, to be adjusted annually for inflation. The lease has an expiration date of November 2020.

Maine Public also has operating leases for vehicles at various monthly payments.

Maine Public also has operating leases for land used for broadcast transmission equipment at various monthly payments. These leases are for terms through year 2024 with annual payments ranging from \$150 to \$72,000.

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

Years Ending June 30,	
2018	\$ 337,000
2019	275,000
2020	229,000
2021	131,000
2022	26,000
Thereafter	36,000
	<u>\$ 1,034,000</u>

Rent expense for the above leases for the years ended 2017 and 2016 was approximately \$320,000 and \$250,000, respectively.

NOTE 15 – RECLASSIFICATION OF NET ASSETS

During the year ended 2017, it was determined that certain prior year unrestricted contributions had been incorrectly classified as permanently restricted. An adjustment was recorded to reflect the proper classification of net assets. The error had no effect on total net assets. Beginning net assets as of June 30, 2016 were reclassified from permanently restricted to unrestricted in the amount of \$20,006. For the year ended 2016 contributions in the amount of \$57,221 were reclassified from permanently restricted to unrestricted on the statement of activities.

NOTE 16 –SUBSEQUENT EVENTS

Subsequent to June 30, 2017, Maine Public purchased a radio station in the Boothbay region of Maine. The station will air classical music in the midcoast area. The purchase price was approximately \$550,000.

NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2017, which represents the date on which the financial statements were available to be issued.