

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



**Financial Report**  
**June 30, 2018**

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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 statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

### 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### **Emphasis of a Matter**

As discussed in Note 15 to the financial statements, Maine Public Broadcasting Corporation elected to change its method of recognizing contribution revenue from members who pay their annual membership in monthly installments. Accordingly, amounts reported for pledges receivable and contribution income have been adjusted in the 2017 financial statements now presented, and an adjustment has been made to beginning net assets as of July 1, 2016.

### **Prior Period Financial Statements**

The financial statements of the Maine Public Broadcasting Corporation d/b/a Maine Public as of June 30, 2017, were audited by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report, dated November 7, 2017, expressed an unmodified opinion on those statements.

*Wipfli LLP*

South Portland, Maine  
November 6, 2018

## Statements of Financial Position

June 30,

<b>ASSETS</b>	<b>2018</b>	2017 (As Adjusted)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,920,037	\$ 3,102,786
Cash and short-term investments designated for capital purposes	355,324	354,792
Accounts and grants receivable	7,275	25,046
Pledges receivable within one year	2,210,067	2,024,250
Prepaid expenses	98,879	91,363
<b>Total Current Assets</b>	<u>5,591,582</u>	<u>5,598,237</u>
<b>Property and Equipment</b>		
Broadcast equipment	21,085,841	20,452,100
Land and improvements	259,978	259,978
Buildings and improvements	5,034,902	5,066,296
Office equipment and furniture	2,500,682	3,398,279
Automotive equipment	514,263	607,391
	<u>29,395,666</u>	<u>29,784,044</u>
Accumulated depreciation	(22,455,709)	(22,753,866)
<b>Total Property and Equipment</b>	<u>6,939,957</u>	<u>7,030,178</u>
<b>Other Assets</b>		
Unemployment compensation deposit	61,963	61,932
Investments - long-term	6,358,195	6,002,064
Pledges receivable after one year	1,570,227	2,164,086
<b>Total Other Assets</b>	<u>7,990,385</u>	<u>8,228,082</u>
<b>Total Assets</b>	<u>\$ 20,521,924</u>	<u>\$ 20,856,497</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 225,926	\$ 98,485
Accrued expenses and other	632,273	583,372
<b>Total Current Liabilities</b>	<u>858,199</u>	<u>681,857</u>
<b>Long-Term Liabilities</b>		
Accrued postretirement benefits	63,664	71,264
<b>Total Long-Term Liabilities</b>	<u>63,664</u>	<u>71,264</u>
<b>Total Liabilities</b>	<u>921,863</u>	<u>753,121</u>
<b>Net Assets</b>		
Unrestricted		
Operations	8,564,665	8,715,249
Board designated investment	5,768,100	5,444,481
	<u>14,332,765</u>	<u>14,159,730</u>
Temporarily restricted	4,878,688	5,556,664
Permanently restricted	388,608	386,982
<b>Total Net Assets</b>	<u>19,600,061</u>	<u>20,103,376</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 20,521,924</u>	<u>\$ 20,856,497</u>

See independent auditors' report.

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

## Statements of Activities

Year Ended June 30, 2018  
With Summarized Comparative Totals For 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (As Adjusted)
<b>Operating Revenues and Support</b>				
Membership	\$ 5,511,284			\$ 5,192,106
State of Maine Corporation for Public Broadcasting	1,500,000			1,500,000
Contributions	1,762,519			1,694,993
Underwriting	1,608,947	260,956		4,298,548
Government grants	10,500	2,576,550		2,421,934
Interest on short-term investments	25,192			11,750
Amount allocated under spending formula	190,000			190,000
Other	532,160			377,858
In-kind	14,916			87,685
Net assets released from restrictions	3,492,868	(3,492,868)		
<b>Total Operating Revenues and Support</b>	<b>14,648,386</b>	<b>(655,362)</b>		<b>15,774,874</b>
<b>Operating Expenses</b>				
Program service				
Technical	2,410,406			2,302,322
Programming and production	5,704,031			5,301,957
Public information	639,476			502,300
	8,753,913			8,106,579
Development	2,803,312			2,671,096
Administration	2,001,942			1,627,387
Depreciation	1,287,803			1,199,616
<b>Total Operating Expenses</b>	<b>14,846,970</b>			<b>13,604,678</b>
<b>Changes in Net Assets from Operations</b>	<b>(198,584)</b>	<b>(655,362)</b>		<b>2,170,196</b>
<b>Non-Operating Activities</b>				
Contributions	75,993		\$ 1,626	127,869
Investment income	419,926	43,086		616,084
Amount allocated under spending formula	(190,000)			(190,000)
Net assets released from restrictions	65,700	(65,700)		
<b>Change in Net Assets - Non-Operating</b>	<b>371,619</b>	<b>(22,614)</b>	<b>1,626</b>	<b>553,953</b>
<b>Change in Net Assets</b>	<b>173,035</b>	<b>(677,976)</b>	<b>1,626</b>	<b>2,724,149</b>
<b>Net Assets, Beginning of Year</b>	<b>14,159,730</b>	<b>5,556,664</b>	<b>386,982</b>	<b>17,379,227</b>
<b>Net Assets, End of Year</b>	<b>\$ 14,332,765</b>	<b>\$ 4,878,688</b>	<b>\$ 388,608</b>	<b>\$ 20,103,376</b>

See independent auditors' report.  
The accompanying notes are an integral part of these financial statements.

## Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (As Adjusted)
<b>Operating Revenues and Support</b>				
Membership	\$ 5,192,106			\$ 5,192,106
State of Maine Corporation for Public Broadcasting	1,500,000			1,500,000
Contributions	1,694,993			1,694,993
Underwriting	1,342,091	2,956,457		4,298,548
Interest on short-term investments		2,421,934		2,421,934
Amount allocated under spending formula	11,750			11,750
Other	190,000			190,000
In-kind	377,858			377,858
Net assets released from restrictions	87,685			87,685
	4,578,271	(4,578,271)		
<b>Total Operating Revenues and Support</b>	<u>14,974,754</u>	<u>800,120</u>		<u>15,774,874</u>
<b>Operating Expenses</b>				
Program service				
Technical	2,302,322			2,302,322
Programming and production	5,301,957			5,301,957
Public information	502,300			502,300
	<u>8,106,579</u>			<u>8,106,579</u>
Development	2,671,096			2,671,096
Administration	1,627,387			1,627,387
Depreciation	1,199,616			1,199,616
<b>Total Operating Expenses</b>	<u>13,604,678</u>			<u>13,604,678</u>
<b>Changes in Net Assets from Operations</b>	<u>1,370,076</u>	<u>800,120</u>		<u>2,170,196</u>
<b>Non-Operating Activities</b>				
Contributions	86,019		\$ 41,850	127,869
Investment income	563,051	53,033		616,084
Amount allocated under spending formula	(190,000)			(190,000)
Net assets released from restrictions	61,569	(61,569)		
<b>Change in Net Assets - Non-Operating</b>	<u>520,639</u>	<u>(8,536)</u>	<u>41,850</u>	<u>553,953</u>
<b>Change in Net Assets</b>	1,890,715	791,584	41,850	2,724,149
<b>Net Assets, Beginning of Year</b>	<u>12,269,015</u>	<u>4,765,080</u>	<u>345,132</u>	<u>17,379,227</u>
<b>Net Assets, End of Year</b>	<u>\$ 14,159,730</u>	<u>\$ 5,556,664</u>	<u>\$ 386,982</u>	<u>\$ 20,103,376</u>

See independent auditors' report.  
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## Statements of Cash Flows

Years Ended June 30,

	2018	2017 (As Adjusted)
<b>Cash flows from operating activities:</b>		
Change in net assets	<u>\$ (503,315)</u>	<u>\$ 2,724,149</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,287,803	1,199,616
Provision for bad debts		15,022
Net gain on long-term investments	(379,676)	(525,369)
Permanently restricted contributions	(1,626)	(41,850)
Contributions and grants restricted for long-lived assets		(39,400)
(Increase) decrease in:		
Accounts and grants receivable	17,771	(32,049)
Pledges receivable	409,668	(824,234)
Prepaid expenses	(7,547)	52,830
(Increase) decrease in:		
Accounts payable	127,441	(4,728)
Accrued expenses and other	48,901	(179,865)
Accrued postretirement benefits	(7,600)	(7,600)
Total adjustments	<u>1,495,135</u>	<u>(387,627)</u>
<b>Net cash flows from operating activities</b>	<u><b>991,820</b></u>	<u><b>2,336,522</b></u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,197,582)	(1,030,481)
Proceeds from the sale of investments - long-term	1,330,124	1,539,166
Purchase of investments - long-term	(1,382,572)	(1,624,600)
<b>Net cash flows from investing activities</b>	<u><b>(1,250,030)</b></u>	<u><b>(1,115,915)</b></u>
<b>Cash flows from financing activities</b>		
Receipt of permanently restricted contributions	75,993	49,350
<b>Net cash flows from financing activities</b>	<u><b>75,993</b></u>	<u><b>49,350</b></u>
<b>Change in cash and cash equivalents</b>	<b>(182,217)</b>	1,269,957
<b>Cash and cash equivalents, beginning of year</b>	<u><b>3,457,578</b></u>	<u>2,187,621</u>
<b>Cash and cash equivalents, end of year</b>	<u><u><b>\$ 3,275,361</b></u></u>	<u><u><b>\$ 3,457,578</b></u></u>
<b>Composition of cash and cash equivalents at end of year:</b>		
Cash and cash equivalents	\$ 2,920,037	\$ 3,102,786
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	<u>355,324</u>	<u>354,792</u>
	<u><u><b>\$ 3,275,361</b></u></u>	<u><u><b>\$ 3,457,578</b></u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Income taxes	\$ 45,686	\$ 6,612

See independent auditors' report.

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



**Statements of Functional Expenses**

Year Ended June 30, 2018

With Summarized Comparative Totals For 2017

	2018							2017
	Program Services				Support Services			Total
	Technical	Programming and Production	Public Information	Total	Development	Administration	Total	
Salaries and benefits	\$ 1,092,751	\$ 3,190,600	\$ 459,058	\$ 4,742,409	\$ 1,827,079	\$ 1,098,237	\$ 7,667,725	\$ 6,886,573
Programming		1,892,487		1,892,487			1,892,487	1,776,470
Professional services	411,985	329,816	24,026	765,827	102,185	264,737	1,132,749	1,098,897
Printing		261	51,177	51,438	197,904	3,369	252,711	266,644
Electricity	283,993	104		284,097		30,198	314,295	310,079
Maintenance	172,381	3,553		175,934		95,117	271,051	280,424
Postage	1,058	764	46,005	47,827	129,216	8,816	185,859	191,369
Travel and conference	28,106	72,143	8,485	108,734	57,941	60,571	227,246	165,113
Rent	229,706	9,494		239,200		114,595	353,795	319,816
Insurance	14,800	67,669	6,578	89,047	36,630	13,155	138,832	127,115
Telephone	67,593	13,072		80,665	9,955	92,953	183,573	162,597
Premiums					120,685		120,685	142,022
Miscellaneous	1,416	17,505	7,739	26,660	138,547	69,649	234,856	164,718
Office and technical supplies	26,699	36,646	14,333	77,678	4,449	13,773	95,900	117,778
Minor equipment		4,496		4,496	10,086	9,677	24,259	16,326
Computer services	77,610	1,656		79,266			79,266	81,080
Bank fees and discounts					146,506	7,378	153,884	158,164
Advertising		3,321	15,149	18,470		5,352	23,822	7,398
Special events			6,095	6,095	17,818		23,913	17,825
Professional dues		42,098		42,098	1,896	56,906	100,900	80,624
Strategic initiative/training						10,669	10,669	6,992
Video tape		280		280			280	3,298
Subscriptions	2,308	18,066	831	21,205	2,415	1,104	24,724	17,128
Other taxes						45,686	45,686	6,612
Subtotal	2,410,406	5,704,031	639,476	8,753,913	2,803,312	2,001,942	13,559,167	12,405,062
Depreciation	943,616	121,847	25,948	1,091,411	144,497	51,895	1,287,803	1,199,616
Totals	\$ 3,354,022	\$ 5,825,878	\$ 665,424	\$ 9,845,324	\$ 2,947,809	\$ 2,053,837	\$ 14,846,970	\$ 13,604,678

See independent auditors' report.

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

## Statements of Functional Expenses

Year Ended June 30, 2017

	2017						
	Program Services				Support Services		
	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
Programming		1,776,470		1,776,470			1,776,470
Professional services	422,555	317,389	62,818	802,762	118,201	177,934	1,098,897
Printing		2,001	37,713	39,714	222,607	4,323	266,644
Electricity	278,658			278,658		31,421	310,079
Maintenance	180,806	2,969		183,775		96,649	280,424
Postage	1,088	(1,006)	46,397	46,479	139,000	5,890	191,369
Travel and conference	26,073	36,700	4,474	67,247	53,760	44,106	165,113
Rent	202,558	6,901		209,459		110,357	319,816
Insurance	16,711	56,057	6,077	78,845	35,358	12,912	127,115
Telephone	50,290	12,646		62,936	10,701	88,960	162,597
Premiums					142,022		142,022
Miscellaneous	925	29,552	7,389	37,866	97,372	29,480	164,718
Office and technical supplies	30,070	42,277	6,792	79,139	8,262	30,377	117,778
Minor equipment		16,326		16,326			16,326
Computer services	79,640	1,440		81,080			81,080
Bank fees and discounts					150,916	7,248	158,164
Advertising		500	6,113	6,613		785	7,398
Special events			1,108	1,108	16,717		17,825
Professional dues		40,414		40,414	2,487	37,723	80,624
Strategic initiative/training						6,992	6,992
Video tape		3,298		3,298			3,298
Subscriptions	1,937	12,642	99	14,678	893	1,557	17,128
Other taxes						6,612	6,612
Subtotal	2,302,322	5,301,957	502,300	8,106,579	2,671,096	1,627,387	12,405,062
Depreciation	922,845	92,349	20,620	1,035,814	119,983	43,819	1,199,616
Totals	<u>\$ 3,225,167</u>	<u>\$ 5,394,306</u>	<u>\$ 522,920</u>	<u>\$ 9,142,393</u>	<u>\$ 2,791,079</u>	<u>\$ 1,671,206</u>	<u>\$ 13,604,678</u>

See independent auditors' report.

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

## Notes to Financial Statements

June 30, 2018 and 2017

### 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.

## Notes to Financial Statements

June 30, 2018 and 2017

### 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, 2018 and 2017

### 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, 2018 and 2017

### 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.

#### Recent Accounting Pronouncements

##### *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, if presented. Management is currently evaluating the impact of adoption on its financial statements.

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Recent Accounting Pronouncements – Continued

##### Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued 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, 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:

	2018	2017
Underwriting	\$ 1,262,435	\$ 1,080,740
General	204,835	184,478
Capital campaign	2,102,070	2,677,118
Endowment	1,500	7,000
Charitable lead interest trust	286,000	334,000
	<u>3,856,840</u>	<u>4,283,336</u>
Less discount	76,546	95,000
Total unconditional promises to give	<u>\$ 3,780,294</u>	<u>\$ 4,188,336</u>
Amount due in:		
Less than one year	\$ 2,210,067	
One to five years	1,646,773	
	<u>\$ 3,856,840</u>	

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

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

	2018	2017
Cash	<u>\$ 355,324</u>	<u>\$ 354,792</u>

## Notes to Financial Statements

June 30, 2018 and 2017

### 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 2018 and 2017. 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:

	2018	2017
Cash and money market accounts	\$ 119,376	\$ 238,850
U.S. Government Agency Obligations	1,092,974	308,272
Mutual funds – fixed income	470,439	1,289,622
Mutual funds – equity securities	4,675,406	4,165,320
	<u>\$ 6,358,195</u>	<u>\$ 6,002,064</u>

Endowment net asset composition by type of fund as of June 30, 2018 is, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 202,987	\$ 387,108	\$ 590,095
Board-designated endowment funds	\$ 5,768,100			5,768,100
Total funds	<u>\$ 5,768,100</u>	<u>\$ 202,987</u>	<u>\$ 387,108</u>	<u>\$ 6,358,195</u>

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>

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, 2018 and 2017.



## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 5 – INVESTMENTS – LONG-TERM – CONTINUED

Changes in endowment net assets for the year ended 2018 are, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 5,444,481	\$ 177,601	\$ 379,982	\$ 6,002,064
Investment return:				
Interest and dividends	75,427	7,912		83,339
Net gain	344,499	35,174		379,673
Contributions	75,993		7,126	83,119
Appropriation of endowment assets for expenditure	(172,300)	(17,700)		(190,000)
End of year	<u>\$ 5,768,100</u>	<u>\$ 202,987</u>	<u>\$ 387,108</u>	<u>\$ 6,358,195</u>

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>

### NOTE 6 – LINES OF CREDIT

Maine Public has available \$500,000 and \$300,000 unsecured lines of credit with variable interest rates. There were no outstanding balances on the lines of credit at June 30, 2018 and 2017, and the lines of credit were not used during the years then ended. The lines of credit mature in February 2019 and March 2019, 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, 2018 and 2017 was \$63,664 and \$71,264, respectively.

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 8 – FAIR VALUE MEASUREMENT

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

	Total	Level 1	Level 2	Level 3
<b>June 30, 2018:</b>				
Cash equivalents	\$ 119,376	\$ 119,376		
U.S. Government Obligations	1,092,974		\$ 1,092,974	
Mutual funds – fixed income	470,439	470,439		
Mutual funds – equity securities	4,675,406	4,675,406		
Total	<u>\$ 6,358,195</u>	<u>\$ 5,265,221</u>	<u>\$ 1,092,974</u>	<u>\$ -</u>
<b>June 30, 2017:</b>				
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		
Total	<u>\$ 6,002,064</u>	<u>\$ 5,693,792</u>	<u>\$ 308,272</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 \$349,000 and \$336,000 in 2018 and 2017, 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 2018 and 2017, 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 \$1,157,040 and \$775,905 for the years ended 2018 and 2017, respectively. The statement of financial position includes \$132,784 and \$84,531 of accrued medical claims as of June 30, 2018 and 2017, respectively.

### NOTE 11 – RELATED PARTY

Maine Public purchases various products and services from a related party. The amount paid to the totaled approximately \$109,700 and \$141,600 during the years ended 2018 and 2017, respectively. The purchases included fuel, printing and telecommunication services.

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 12 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	<b>Balance June 30, 2018</b>	Balance June 30, 2017
Underwriting pledges	<b>\$ 1,262,435</b>	\$ 1,080,740
General	<b>198,289</b>	184,778
Capital campaign	<b>2,032,070</b>	2,677,116
Donated building	<b>260,649</b>	277,465
Digital television	<b>636,258</b>	825,264
	<b><u>4,389,701</u></b>	<u>5,045,063</u>
Charitable lead interest trust	<b>286,000</b>	334,000
Endowment gains	<b>202,987</b>	177,601
	<b><u>488,987</u></b>	<u>511,601</u>
Totals	<b><u>\$ 4,878,688</u></b>	<u>\$ 5,556,664</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, 2018 and 2017 was \$388,608 and \$386,982, 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, 2018 and 2017

### 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 2036 with annual payments ranging from \$300 to \$72,000.

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

Years Ending June 30,	
2019	\$ 368,000
2020	261,000
2021	170,000
2022	62,000
2023	24,000
Thereafter	151,000
	<u>\$ 1,036,000</u>

Rent expense for the above leases for the years ended 2018 and 2017 was approximately \$354,000 and \$320,000, respectively.

### NOTE 15 – CHANGE IN METHOD OF ACCOUNTING

On July 1, 2017 Maine Public elected to change its method of recognizing contribution revenue from members who pay their annual membership in monthly installments. Maine Public changed the method to recognize the contribution when paid by the donor. In prior years Maine Public recognized the membership revenue based on the annual membership renewal date. The new method of accounting was adopted to reflect the donor's intention to provide support rather than a promise to give over the membership period. Accordingly, an adjustment of \$854,651 was made during 2018 to reduce pledges receivable as of the beginning of the year. A corresponding entry was made to reduce previously reported net assets at the beginning of 2017 in the amount of \$767,589. Previously reported membership revenue for the year ended 2017 was reduced by \$87,062 for the adjustment.

### NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2018, which represents the date on which the financial statements were available to be issued.