

Maine Public Broadcasting Network

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

Financial Report

June 30, 2010

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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 statements of financial position of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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An Independently Owned Member of the RSM McGladrey Network

Statements of Financial Position

June 30,

ASSETS

	2010	2009
Current Assets		
Cash and cash equivalents	$ 2,006,296	$ 1,549,930
Cash and short-term investments designated for capital purposes	347,322	631,307
Accounts receivable	5,494	23,439
Pledges receivable within one year (net)	1,159,558	882,518
Prepaid expenses	74,132	83,635
Total Current Assets	3,592,802	3,170,829
Property and Equipment		
Digital Conversion Equipment		
Broadcast equipment	11,218,262	11,218,262
Accumulated depreciation	(7,185,179)	(6,395,118)
Total Digital Conversion Equipment	4,033,083	4,823,144
Other Property and Equipment		
Land and improvements	259,978	259,978
Buildings and improvements	4,417,344	4,417,344
Broadcast equipment	11,147,590	11,023,472
Office equipment and furniture	2,800,511	2,881,637
Automotive equipment	550,346	550,346
	19,175,769	19,132,777
Accumulated depreciation	(14,415,289)	(14,097,864)
Total Other Property and Equipment	4,760,480	5,034,913
Other Assets		
Unemployment compensation deposit	19,781	19,771
Investments - long-term	3,380,747	3,073,525
Pledges receivable after one year	582,000	623,000
Total Other Assets	3,982,528	3,716,296
Total Assets	$ 16,368,893	$ 16,745,182
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 174,264	$ 94,653
Accrued expenses	596,938	684,965
Deferred revenue		70,670
Total Current Liabilities	771,202	850,288
Long-Term Liabilities		
Accrued postretirement benefits	124,464	132,064
Total Long-Term Liabilities	124,464	132,064
Total Liabilities	895,666	982,352
Net Assets		
Unrestricted		
Operations	5,922,954	5,950,879
Board designated investment	3,097,954	2,805,700
Digital Television Conversion	1,490,243	1,758,858
	10,511,151	10,515,437
Temporarily restricted	4,746,138	5,031,455
Permanently restricted	215,938	215,938
Total Net Assets	15,473,227	15,762,830
Total Liabilities and Net Assets	$ 16,368,893	$ 16,745,182

The accompanying notes are an integral part of these financial statements

Statements of Activities

Year Ended June 30, 2010
With Summarized Comparative Totals For 2009

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues and Support					
Membership	$ 3,566,370	$ 369,514		$ 3,935,884	$ 3,877,312
State of Maine	1,954,235			1,954,235	2,054,549
Corporation for Public Broadcasting	1,574,366			1,574,366	1,491,577
Contributions	1,052,327	26,945		1,079,272	1,160,104
Auction	391,933			391,933	441,036
Underwriting		1,479,104		1,479,104	1,357,270
Government grants	33,016			33,016	4,000
Interest on short-term investments	17,384			17,384	40,898
Amount allocated under spending formula	140,000			140,000	125,000
Other	136,515			136,515	200,250
In-kind	58,666			58,666	58,072
Net assets released from restrictions	1,614,110	(1,614,110)			
Total Operating Revenues and Support	10,538,922	261,453		10,800,375	10,810,068
Operating Expenses					
Program service					
Technical	1,928,460			1,928,460	2,521,417
Programming and production	4,058,435			4,058,435	3,769,401
Public information	410,308			410,308	1,055,988
	6,397,203			6,397,203	7,346,806
Development	2,469,372			2,469,372	2,184,601
Administration	1,340,569			1,340,569	1,307,837
Depreciation (excluding DTV conversion)	589,707			589,707	689,465
Total Operating Expenses	10,796,851			10,796,851	11,528,709
Changes in Net Assets from Operations	(257,929)	261,453		3,524	(718,641)
Non-Operating Activities					
Contributions	325,723			325,723	184,620
Investment income (loss)	303,435	19,142		322,577	(581,750)
Amount allocated under spending formula	(140,000)			(140,000)	(125,000)
Loss on bad debts	(11,366)			(11,366)	(6,912)
Depreciation on DTV conversion	(790,061)			(790,061)	(1,002,019)
Net assets released from restrictions	565,912	(565,912)			
Change in Net Assets - Non-Operating	253,643	(546,770)		(293,127)	(1,531,061)
Change in Net Assets	(4,286)	(285,317)		(289,603)	(2,249,702)
Net Assets, Beginning of Year	10,515,437	5,031,455	$ 215,938	15,762,830	18,012,532
Net Assets, End of Year	$ 10,511,151	$ 4,746,138	$ 215,938	$ 15,473,227	$ 15,762,830

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

Statements of Activities

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	$ 3,629,077	$ 248,235		$ 3,877,312
State of Maine	2,054,549			2,054,549
Corporation for Public Broadcasting	1,491,577			1,491,577
Contributions	1,120,103	40,000		1,160,103
Auction	441,036			441,036
Underwriting		1,357,270		1,357,270
Government grants	4,000			4,000
Interest on short-term investments	40,898			40,898
Amount allocated under spending formula	125,000			125,000
Other	200,250			200,250
In-kind	58,072			58,072
Net assets released from restrictions	1,602,900	(1,602,900)		
Total Operating Revenues and Support	10,767,462	42,605		10,810,067
Operating Expenses				
Program service				
Technical	2,521,417			2,521,417
Programming and production	3,769,401			3,769,401
Public information	1,055,988			1,055,988
	7,346,806			7,346,806
Development	2,184,601			2,184,601
Administration	1,307,837			1,307,837
Depreciation (excluding DTV conversion)	689,465			689,465
Total Operating Expenses	11,528,709			11,528,709
Changes in Net Assets from Operations	(761,247)	42,605		(718,642)
Non-Operating Activities				
Contributions	184,620			184,620
Investment loss	(533,302)	(48,448)		(581,750)
Amount allocated under spending formula	(125,000)			(125,000)
Loss on bad debts		(6,911)		(6,911)
Depreciation on digital television conversion	(1,002,019)			(1,002,019)
Net assets released from restrictions	703,188	(703,188)		
Change in Net Assets - Non-Operating	(772,513)	(758,547)		(1,531,060)
Change in Net Assets	(1,533,760)	(715,942)		(2,249,702)
Net Assets, Beginning of Year	12,049,197	5,747,397	$ 215,938	18,012,532
Net Assets, End of Year	$ 10,515,437	$ 5,031,455	$ 215,938	$ 15,762,830

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

Statements of Cash Flows

Years Ended June 30,

	2010	2009
Cash flows from operating activities:		
Net decrease in total net assets	**$ (289,603)**	$ (2,249,702)
Adjustments to reconcile net decrease in total net assets to net cash flows from operating activities:		
Depreciation	**1,379,768**	1,691,484
Loss on bad debts	**11,366**	6,911
Net loss on disposal of property and equipment	**2,086**	
Net loss on short-term investments		12,578
Net (gain) loss on long-term investments	**(251,955)**	663,646
Contributions restricted for long-lived assets	**(33,016)**	
(Increase) decrease in operating assets:		
Accounts receivable	**6,579**	(24,627)
Pledges receivable	**(236,040)**	(13,833)
Prepaid expenses	**9,493**	(26,208)
Increase (decrease) in operating liabilities:		
Accounts payable	**79,611**	(45,577)
Accrued expenses	**(88,027)**	(81,389)
Deferred revenue	**(70,670)**	(77,330)
Accrued postretirement benefits	**(7,600)**	(7,600)
Total adjustments	**801,595**	2,098,055
Net cash flows from operating activities	**511,992**	(151,647)
Cash flows from investing activities		
Additions to property and equipment	**(317,360)**	(764,697)
Proceeds from the sale of investments - short-term	**512,656**	630,000
Purchase of investments - short-term	**(250,000)**	(409,362)
Proceeds from the sale of investments - long-term	**1,309,023**	907,680
Purchase of investments - long-term	**(1,364,290)**	(905,500)
Net cash flows from investing activities	**(109,971)**	(541,879)
Cash flows from financing activities		
Receipt of contributions for long-lived assets	**33,016**	
Net cash provided by financing activities	**33,016**	
Change in cash and cash equivalents	**435,037**	(693,526)
Cash and cash equivalents, beginning of year	**1,668,581**	2,362,107
Cash and cash equivalents, end of year	**$ 2,103,618**	$ 1,668,581
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	**$ 2,006,296**	$ 1,549,930
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	**97,322**	118,651
	$ 2,103,618	$ 1,668,581
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	**$ 9,100**	$ 2,000

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

Statements of Functional Expenses

Year Ended June 30, 2010
With Summarized Comparative Totals for 2009

	2010								2009
	Program Services					Support Services			
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total	Total
Salaries and benefits	$ 920,832	$ 1,850,367	$ 236,854		$3,008,053	$ 1,301,270	$ 692,376	$ 5,001,699	$ 5,378,353
Programming		1,846,275			1,846,275			1,846,275	1,760,115
Professional services	254,284	165,626	72,297		492,207	315,758	73,950	881,915	940,362
Printing		393	20,143		20,536	247,571	990	269,097	409,728
Electricity	316,699				316,699		48,048	364,747	480,484
Maintenance	157,427	4,458			161,885		99,702	261,587	267,235
Postage	1,755	131	38,680		40,566	147,204	10,780	198,550	248,137
Travel and conference	28,162	25,726	7,435		61,323	50,590	29,328	141,241	162,392
Rent	88,116	9,298			97,414		108,570	205,984	205,636
Insurance	28,992	92,246	7,907		129,145	67,208	25,037	221,390	215,487
Telephone	26,847	7,225			34,072	4,642	54,319	93,033	91,135
Premiums						171,412		171,412	119,920
Miscellaneous	1,345	5,680	4,484		11,509	62,918	47,941	122,368	154,204
Office and technical supplies	11,794	17,350	2,260		31,404	7,901	28,341	67,646	63,222
Minor equipment						190	69,544	69,734	8,489
Computer services	88,762				88,762			88,762	100,188
Bank fees and discounts						85,201	2,297	87,498	89,243
Advertising			19,650		19,650		635	20,285	51,471
Special events						6,184		6,184	6,048
Professional dues		24,770	340		25,110	915	30,848	56,873	59,083
Strategic initiative/training							7,612	7,612	16,944
Video tape		7,324			7,324	51		7,375	2,871
Subscriptions	3,445	1,566	258		5,269	357	1,151	6,777	6,497
Other taxes							9,100	9,100	2,000
Subtotal	1,928,460	4,058,435	410,308		6,397,203	2,469,372	1,340,569	10,207,144	10,839,244
Depreciation	247,831	43,614	23,547	$ 790,061	1,105,053	200,149	74,566	1,379,768	1,691,484
Totals	$2,176,291	$ 4,102,049	$ 433,855	$ 790,061	$7,502,256	$ 2,669,521	$ 1,415,135	$11,586,912	$12,530,728

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

Statement of Functional Expenses

Year Ended June 30, 2009

	Program Services					Support Services		
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total
Salaries and benefits	$ 1,301,415	$ 1,603,395	$ 615,802		$ 3,520,612	$ 1,180,714	$ 677,027	$ 5,378,353
Programming		1,760,115			1,760,115			1,760,115
Professional services	288,508	213,213	116,088		617,809	208,449	114,104	940,362
Printing		20	133,078		133,098	276,135	495	409,728
Electricity	428,606				428,606		51,878	480,484
Maintenance	174,148	6,186			180,334		86,901	267,235
Postage	2,755	181	85,207		88,143	148,990	11,004	248,137
Travel and conference	34,947	31,145	24,741		90,833	42,308	29,251	162,392
Rent	84,615	10,858			95,473		110,163	205,636
Insurance	52,012	66,253	17,956		136,221	55,737	23,529	215,487
Telephone	25,277	6,408	1,260		32,945	2,520	55,670	91,135
Premiums						119,920		119,920
Miscellaneous	1,213	30,554	5,114		36,881	57,573	59,750	154,204
Office and technical supplies	16,531	12,954	3,811		33,296	6,123	23,803	63,222
Minor equipment			2,129		2,129		6,360	8,489
Computer services	100,188				100,188			100,188
Bank fees and discounts						79,036	10,207	89,243
Advertising			49,877		49,877		1,594	51,471
Special events			221		221	5,827		6,048
Professional dues		26,279	165		26,444	747	31,892	59,083
Strategic initiative/training	5,937				5,937		11,007	16,944
Video tape	2,544	254	58		2,856	15		2,871
Subscriptions	2,721	1,586	481		4,788	507	1,202	6,497
Other taxes							2,000	2,000
Subtotal	2,521,417	3,769,401	1,055,988		7,346,806	2,184,601	1,307,837	10,839,244
Depreciation	393,926	69,820	41,689	$ 1,002,019	1,507,454	129,403	54,627	1,691,484
Totals	$ 2,915,343	$ 3,839,221	$ 1,097,677	$ 1,002,019	$ 8,854,260	$ 2,314,004	$ 1,362,464	$12,530,728

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

Notes to Financial Statements

June 30, 2010 and 2009

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), National Public Radio (NPR) and American Public Radio International (PRI).

Basis of Accounting

MPBN's financial statements have been prepared using the accrual method of accounting.

Basis of Presentation

The financial statements are 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 free 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, 2010 and 2009

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. Costs of repairs and maintenance are charged to operating expenses as incurred. Upon sale or retirement, the cost and accumulated depreciation are removed and any resulting gain or loss is included in the statement of activities.

Donated Assets

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

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments

Investments are stated at fair value. The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year.

MPBN's investment policy and spending policy for long-term investments is as follows:

Investment Objective: MPBN invests for long-term growth of capital with moderate income requirements. Growth accounts will experience moderate to high levels of portfolio fluctuations to achieve long-term objectives.

Return Objective: Consistent with our asset class assumptions, the long-term growth objectives for this mix of assets is approximately 7.36% annually.

Risk Tolerance: MPBN recognizes that the long-range objective implies a high level of equity exposure and consequent market price volatility. The risk of the equity and fixed income portfolio shall be consistent with their respective indexes.

Notes to Financial Statements

June 30, 2010 and 2009

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 evaluated MPBN's tax positions and concluded that MPBN had taken no uncertain tax positions that required adjustment to the financial. When necessary, MPBN accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. MPBN does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next twelve months. MPBN is subject to U.S. federal and state examinations by tax authorities for years ending June 30, 2007 and forward.

Notes to Financial Statements

June 30, 2010 and 2009

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. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques. Level 3 valuations incorporate the entity's own assumptions and projections in determining the fair value assigned to such assets or liabilities.

Recent Accounting Pronouncement

FASB No. 168 and FASB Codifications

In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, a replacement of FASB Statement No. 162. This statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and non-authoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (ASC), also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASU) which will not be authoritative in their own right as they will only serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. GAAP is not intended to be changed as a result of the Codification, but the ASC does change the way the guidance is organized and presented. The Codification is effective for interim or annual periods ending after September 15, 2009. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the financial statements.

Notes to Financial Statements

June 30, 2010 and 2009

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.

NOTE 3 – PLEDGES RECEIVABLE

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

	2010	2009
Capital campaign	$ 9,000	$ 21,000
Charitable lead interest trust	593,000	621,000
Membership contributions	528,538	354,159
General	66,483	42,692
Underwriting	703,099	573,054
	1,900,120	1,611,905
Less allowance for uncollectible pledges and discount	158,562	106,387
Total unconditional promises to give	$ 1,741,558	$ 1,505,518
Amounts due in:		
Less than one year	$ 1,318,120	
One to five years	204,000	
Thereafter	378,000	
	$ 1,900,120	

NOTE 4 – PROPERTY AND EQUIPMENT

A portion of MPBN's property and equipment was purchased with funds received from the National Telecommunications and Information Administration (NTIA). The NTIA holds a lien on this property for a period of 10 years after the project has been completed, during which time MPBN is unable to sell or otherwise dispose of the assets. The total cost of equipment purchased with such funds was $4,439,354 at June 30, 2010.

NOTE 5 – INVESTMENTS – SHORT-TERM

Investments at approximate fair value based on quoted market prices as of June 30 are as follows:

	2010	2009
Cash	$ 97,322	
Money market		$ 118,651
U.S. Treasury securities and agency obligations		512,656
Certificate of deposit	250,000	
	$ 347,322	$ 631,307

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 6 – INVESTMENT – 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 and $125,000 for the fiscal years ended June 30, 2010 and 2009, respectively, out of endowment investments. This amount was less than the amount allowed to be spent under MPBN's spending policy as described in Note 1.

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

	2010	2009
Cash and money market accounts	**$ 152,663**	$ 164,170
U.S. Government Agency Obligations	**881,295**	797,466
Equity Securities	**2,323,449**	2,091,475
Mutual Funds	**23,340**	20,414
	$ 3,380,747	$ 3,073,525

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2010, is as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	**$ (3,749)**	**$ 66,563**	**$ 215,938**	**$ 278,752**
Board-designated endowment funds	**3,101,995**			**3,101,995**
Total funds	**$ 3,098,246**	**$ 66,563**	**$ 215,938**	**$ 3,380,747**

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2009, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (5,837)	$ 52,252	$ 215,938	$ 262,353
Board-designated endowment funds	2,811,172			2,811,172
Total funds	$ 2,805,335	$ 52,252	$ 215,938	$ 3,073,525

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant state law requires MPBN to retain as a fund of perpetual duration. Deficiencies of this nature amounted to $3,749 and $5,837 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred.

Notes to Financial Statements

June 30, 2010 and 2009

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

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ 2,805,335	$ 52,252	$ 215,938	$ 3,073,525
Investment return:				
Investment income	70,814			70,814
Net appreciation	232,813	19,142		251,955
Contributions	124,453			124,453
Appropriation of endowment assets for expenditure	(135,169)	(4,831)		(140,000)
End of year	$ 3,098,246	$ 66,563	$ 215,938	$ 3,380,747

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ 3,419,632	$ 103,781	$ 215,938	$ 3,739,351
Investment return:				
Investment income	81,896			81,896
Net depreciation	(615,198)	(48,448)		(663,646)
Contributions	40,924			40,924
Appropriation of endowment assets for expenditure	(121,919)	(3,081)		(125,000)
End of year	$ 2,805,335	$ 52,252	$ 215,938	$ 3,073,525

NOTE 7 – LINES OF CREDIT

MPBN has a $300,000 unsecured line of credit with a bank with a variable interest rate equal to the bank's base rate plus 0.5%. There were no outstanding balances at June 30, 2010 and 2009 and the line of credit was not used during the periods then ended. The line of credit maturity date is October 2010.

MPBN has an additional $300,000 unsecured line of credit with a bank with a variable interest rate equal to the National Prime Rate (3.25% as of June 30, 2010). There was no outstanding balance at June 30, 2010 and the line of credit was not used during the period then ended. The line of credit is subject to renewal in February 2011.

NOTE 8 – POSTRETIREMENT BENEFITS

MPBN sponsored a defined benefit postretirement medical benefit plan. The plan provided that employees who retired from active status after reaching age 55 and had completed 10 years of service or became disabled (regardless of service) were eligible. Eligible employees who retired or became disabled and their spouses (if married) continued to have 90% of their medical premiums paid by MPBN. When retired or disabled participants reached age 65, Medicare became their primary plan and MPBN's plan became secondary. MPBN continued to pay 90% of medical coverage for the secondary coverage. The plan was curtailed during the year ended June 30, 1997.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 8 – POSTRETIREMENT BENEFITS – CONTINUED

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, 2010 and 2009 was $124,464 and $132,064, respectively.

NOTE 9 – FAIR VALUES

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

	Total	Level 1	Level 2	Level 3
June 30, 2010:				
Investment Securities	$ 3,380,747	$ 3,380,747		
Pledges Receivable - Beneficial Interest in Charitable Lead Interest Trust	593,000		$ 593,000	
Total	$ 3,973,747	$ 3,380,747	$ 593,000	$ -
June 30, 2009:				
Investment Securities	$ 3,586,181	$ 3,586,181		
Pledges Receivable - Beneficial Interest in Charitable Lead Interest Trust	621,000		$ 621,000	
Total	$ 4,207,181	$ 3,586,181	$ 621,000	$ -

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. From January 2009 through June 2009, MPBN suspended its contributions to participants' annuities. MPBN's contribution amounted to $216,496 and $147,422 in 2010 and 2009, respectively. MPBN resumed its contributions as of July 2009.

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 2010 and 2009, 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 $628,481 and $751,650 for the years ended June 30, 2010 and 2009, respectively. The statement of financial position includes $83,944 and $89,903 of accrued medical claims as of June 30, 2010 and 2009, respectively.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 12 – DONATED SUPPORT

The value of certain volunteer services of approximately $105,000 and $115,000 in 2010 and 2009, respectively, has not been recorded in the accompanying financial statements because it does not meet the criteria for being recorded as revenue and expense under generally accepted accounting principles. MPBN has recognized the value of donated volunteer services for information purposes only. The value of the volunteer services is based on valuation rates and job classifications estimated by MPBN using industry averages and historical information.

NOTE 13 – RELATED PARTY

MPBN purchases various products and services from the University of Maine System, a related party. The total amount paid to the University of Maine System approximately totaled $173,000 and $215,000 during the years ended June 30, 2010 and 2009, respectively. The purchases included fuel, printing and telecommunication services.

NOTE 14 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	Balance June 30, 2009	Revenue	Net Assets Released and Losses	Balance June 30, 2010
Membership pledges	$ 249,224	$ 369,514	$ (249,224)	$ 369,514
Underwriting pledges	572,065	1,479,104	(1,348,070)	703,099
General	40,000	26,945		66,945
Donated building	411,993		(16,816)	395,177
	1,273,282	1,875,563	(1,614,110)	1,534,735
Charitable lead interest trust	621,000		(28,000)	593,000
Capital campaign pledges	20,635		(11,635)	9,000
Endowment gains	52,252	19,142	(4,831)	66,563
	693,887	19,142	(44,466)	668,563
Digital television	3,064,286		(521,446)	2,542,840
Totals	$ 5,031,455	$ 1,894,705	$ (2,180,022)	$ 4,746,138

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). 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.

Notes to Financial Statements

June 30, 2010 and 2009

NOTE 16 – LEASES

MPBN has an operating lease for approximately 5,000 square feet of building space located in Portland, Maine. The lease calls for monthly rental payments of $7,000, plus property taxes, to be adjusted annually for inflation. The lease was renegotiated in March 2010 for monthly rental payments of $4850 plus property taxes, with a final lease date of November 2010. Effective November 2010, MPBN will lease space within the same building with approximately 3600 square feet. The new lease calls for monthly rental payments of $5,300 plus property taxes, to be adjusted annually for inflation. The lease has an expiration date of November 2020.

MPBN also has operating leases for vehicles at various monthly payments.

MPBN also has 10 operating leases for land used for broadcast transmission equipment at various monthly payments. These leases are for terms through year 2019 with annual payments ranging from $500 to $20,000.

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

Years ending June 30,	Amount
2011	$ 184,000
2012	144,000
2013	136,000
2014	122,000
2015	124,000
Thereafter	550,000
	$ 1,260,000

Rent expense for the above leases for the years ended June 30, 2010 and 2009 was $205,984 and $205,637, respectively.

NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the date of the auditors' report, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

Independent Auditors' Report on Supplementary Financial Information

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

Our report on our audits of the financial statements of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network as of and for the years ended June 30, 2010 and 2009 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary financial information contained on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the basic 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. The information contained in accompanying schedules has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Macdonald Page & Co LLC

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October 5, 2010

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An Independently Owned Member of the RSM McGladrey Network

Schedules of Revenues and Expenses

Year Ended June 30, 2010
With Summarized Comparative Totals for 2009

	2010				2009
	Operations	Investment and Endowment	Digital Television Conversion	Total	Total
Revenue and Gains					
Membership	$ 3,935,884			$ 3,935,884	$ 3,877,312
State of Maine	1,954,235			1,954,235	2,054,549
Corporation for Public Broadcasting	1,574,366			1,574,366	1,491,577
Underwriting	1,479,104			1,479,104	1,357,270
Contributions	1,079,272	$ 325,723		1,404,995	1,344,723
Auction	391,933			391,933	441,036
Other	136,515			136,515	193,339
Government grants	33,016			33,016	4,000
Interest on short-term investments	17,384			17,384	40,898
Investment income (loss)		322,577		322,577	(581,750)
Other losses	(11,366)			(11,366)	
Amounts allocated under spending formula	140,000	(140,000)			
In-kind	58,666			58,666	58,072
Total Revenues and Gains	10,789,009	508,300		11,297,309	10,281,026
Expenses					
Salaries/wages/benefits	5,001,695			5,001,695	5,378,352
Radio	999,917			999,917	988,947
Television/education	1,195,285			1,195,285	1,198,358
Technology and operations	978,636			978,636	1,167,990
Marketing/communications	165,548			165,548	422,231
Development	1,100,893			1,100,893	948,150
Administration	765,170			765,170	735,216
Subtotal	10,207,144			10,207,144	10,839,244
Depreciation	589,707		$ 790,061	1,379,768	1,691,484
Total Expenses	10,796,851		790,061	11,586,912	12,530,728
Net Revenues Over/(Under) Expenses	(7,842)	508,300	(790,061)	(289,603)	(2,249,702)
Transfers	241,077	(241,077)			
Net Revenues Over/(Under) Expenses After Transfers	$ 233,235	$ 267,223	$ (790,061)	$ (289,603)	$(2,249,702)

See accompanying independent auditors' report on supplementary financial information.

Schedules of Unrestricted Net Assets

June 30, 2010 and 2009

	Operations					Investment and Endowment	DTV	Total
	Working Capital	Venture Fund	Capital Improvements	Investment in Property and Equipment	Total Operations	Board Designated as Endowment	Digital Television	
2010								
Beginning of Year	**$ 802,782**	**$ 154,236**	**$ 355,911**	**$ 4,637,950**	**$ 5,950,879**	**$ 2,805,700**	**$ 1,758,858**	**$ 10,515,437**
Changes in Net Assets	**60,432**		**271,346**	**(589,707)**	**(257,929)**	**522,258**	**(268,615)**	**(4,286)**
Interfund Transfers	**230,004**		**(317,060)**	**317,060**	**230,004**	**(230,004)**		
	$ 1,093,218	**$ 154,236**	**$ 310,197**	**$ 4,365,303**	**$ 5,922,954**	**$ 3,097,954**	**$ 1,490,243**	**$ 10,511,151**
2009								
Beginning of Year	$ 809,438	$ 154,236	$ 1,004,609	$ 4,562,718	$ 6,531,001	$ 3,418,643	$ 2,099,553	$ 12,049,197
Changes in Net Assets	(187,781)		115,999	(689,465)	(761,247)	(431,818)	(340,695)	(1,533,760)
Interfund Transfers	181,125		(764,697)	764,697	181,125	(181,125)		
	$ 802,782	$ 154,236	$ 355,911	$ 4,637,950	$ 5,950,879	$ 2,805,700	$ 1,758,858	$ 10,515,437

See accompanying independent auditors' report on supplementary financial information.