Maine Public Broadcasting Corporation
d/b/a



Financial Report
June 30, 2016

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements**.**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Public Broadcasting Corporation d/b/a Maine Public Broadcasting Network as of June 30, 2016 and 2015, 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.

Macpage LLC

South Portland, Maine
October 27, 2016

Statements of Financial Position

June 30,

ASSETS	**2016**	2015
Current Assets		
Cash and cash equivalents	**$ 1,833,360**	$ 1,461,152
Cash and short-term investments designated for capital purposes	**354,261**	353,244
Accounts and grants receivable	**8,019**	21,841
Pledges receivable within one year	**2,687,841**	2,248,176
Prepaid expenses	**144,224**	114,690
Total Current Assets	**5,027,705**	4,199,103
Property and Equipment		
Digital Conversion Equipment		
Broadcast equipment	**8,808,579**	8,808,579
Accumulated depreciation	**(7,193,189)**	(6,896,987)
Total Digital Conversion Equipment	**1,615,390**	1,911,592
Other Property and Equipment		
Land and improvements	**259,978**	259,978
Buildings and improvements	**4,967,923**	4,822,839
Broadcast equipment	**11,496,352**	11,400,282
Office equipment and furniture	**3,305,223**	3,283,165
Automotive equipment	**607,391**	677,172
	20,636,867	20,443,436
Accumulated depreciation	**(15,092,344)**	(14,485,967)
Total Other Property and Equipment	**5,544,523**	5,957,469
Other Assets		
Unemployment compensation deposit	**61,901**	61,870
Investments - long-term	**5,440,611**	5,195,821
Pledges receivable after one year	**1,402,000**	447,848
Total Other Assets	**6,904,512**	5,705,539
Total Assets	**$ 19,092,130**	$ 17,773,703
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 103,213**	$ 161,959
Accrued expenses	**763,237**	860,390
Total Current Liabilities	**866,450**	1,022,349
Long-Term Liabilities		
Accrued postretirement benefits	**78,864**	86,464
Total Liabilities	**945,314**	1,108,813
Net Assets		
Unrestricted		
Operations	**6,439,656**	6,479,324
Board designated investment	**4,971,025**	4,749,816
Digital Television Conversion	**781,107**	770,515
	12,191,788	11,999,655
Temporarily restricted	**5,532,669**	4,339,372
Permanently restricted	**422,359**	325,863
Total Net Assets	**18,146,816**	16,664,890
Total Liabilities and Net Assets	**$ 19,092,130**	$ 17,773,703

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

Statements of Activities

Year Ended June 30, 2016
With Summarized Comparative Totals For 2015

	2016				2015
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Total
Operating Revenues and Support					
Membership	**$ 4,216,651**	**$ 802,046**		**$ 5,018,697**	$ 4,900,332
State of Maine	**1,500,000**			**1,500,000**	1,500,000
Corporation for Public Broadcasting	**1,680,944**			**1,680,944**	1,607,502
Contributions	**1,380,964**	**1,689,324**		**3,070,288**	1,389,896
Underwriting		**2,393,526**		**2,393,526**	2,342,681
Government grants	**62,662**			**62,662**	5,000
Interest on short-term investments	**4,606**			**4,606**	2,890
Amount allocated under spending formula	**190,000**			**190,000**	170,000
Other	**331,477**			**331,477**	185,818
In-kind	**31,822**			**31,822**	48,655
Loss on disposal of assets					(25,040)
Net assets released from restrictions	**3,448,595**	**(3,448,595)**			
Total Operating Revenues and Support	**12,847,721**	**1,436,301**		**14,284,022**	12,127,734
Operating Expenses					
Program service					
Technical	**2,220,169**			**2,220,169**	2,217,456
Programming and production	**4,961,781**			**4,961,781**	4,871,605
Public information	**536,502**			**536,502**	485,607
	7,718,452			**7,718,452**	7,574,668
Development	**2,524,391**			**2,524,391**	2,475,513
Administration	**1,640,402**			**1,640,402**	1,585,222
Depreciation (excluding DTV conversion)	**864,700**			**864,700**	778,990
Total Operating Expenses	**12,747,945**			**12,747,945**	12,414,393
Changes in Net Assets from Operations	**99,776**	**1,436,301**		**1,536,077**	(286,659)
Non-Operating Activities					
Contributions	**251,874**		**$ 96,496**	**348,370**	343,847
Investment income	**73,409**	**10,271**		**83,680**	62,756
Amount allocated under spending formula	**(190,000)**			**(190,000)**	(170,000)
Depreciation on DTV conversion	**(296,201)**			**(296,201)**	(298,732)
Net assets released from restrictions	**253,275**	**(253,275)**			
Change in Net Assets - Non-Operating	**92,357**	**(243,004)**	**96,496**	**(54,151)**	(62,129)
Change in Net Assets	**192,133**	**1,193,297**	**96,496**	**1,481,926**	(348,788)
Net Assets, Beginning of Year	**11,999,655**	**4,339,372**	**325,863**	**16,664,890**	17,013,678
Net Assets, End of Year	**$ 12,191,788**	**$ 5,532,669**	**$ 422,359**	**$ 18,146,816**	$ 16,664,890

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

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Membership	$ 4,127,407	$ 772,925		$ 4,900,332
State of Maine	1,500,000			1,500,000
Corporation for Public Broadcasting	1,607,502			1,607,502
Contributions	1,289,777	100,119		1,389,896
Underwriting		2,342,681		2,342,681
Government grants	5,000			5,000
Interest on short-term investments	2,890			2,890
Amount allocated under spending formula	170,000			170,000
Other	185,818			185,818
In-kind	48,655			48,655
Loss on disposal of assets	(25,040)			(25,040)
Net assets released from restrictions	3,451,405	(3,451,405)		
Total Operating Revenues and Support	12,363,414	(235,680)		12,127,734
Operating Expenses				
Program service				
Technical	2,217,456			2,217,456
Programming and production	4,871,605			4,871,605
Public information	485,607			485,607
	7,574,668			7,574,668
Development	2,475,513			2,475,513
Administration	1,585,222			1,585,222
Depreciation (excluding DTV conversion)	778,990			778,990
Total Operating Expenses	12,414,393			12,414,393
Changes in Net Assets from Operations	(50,979)	(235,680)		(286,659)
Non-Operating Activities				
Contributions	287,132		56,715	343,847
Investment income	57,342	5,414		62,756
Amount allocated under spending formula	(170,000)			(170,000)
Depreciation on digital television conversion	(298,732)			(298,732)
Net assets released from restrictions	239,084	(239,084)		
Change in Net Assets - Non-Operating	114,826	(233,670)	56,715	(62,129)
Change in Net Assets	63,847	(469,350)	56,715	(348,788)
Net Assets, Beginning of Year	11,935,808	4,808,722	$ 269,148	17,013,678
Net Assets, End of Year	$ 11,999,655	$ 4,339,372	$ 325,863	$ 16,664,890

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

Statements of Cash Flows

Years Ended June 30,

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 1,481,926**	$ (348,788)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	**1,160,901**	1,077,722
Loss on bad debts	**6,294**	10,267
Net loss on disposal of property and equipment		25,040
Net loss on long-term investments	**21,083**	26,051
Permanently restricted contributions	**(96,496)**	(56,715)
Contributions and grants restricted for long-lived assets	**(62,662)**	(5,000)
(Increase) decrease in operating assets:		
Accounts and grants receivable	**7,528**	25,130
Pledges receivable	**(1,297,321)**	190,684
Prepaid expenses	**(29,565)**	45,199
Increase (decrease) in operating liabilities:		
Accounts payable	**(58,746)**	(41,082)
Accrued expenses	**(97,153)**	164,661
Accrued postretirement benefits	**(7,600)**	(7,600)
Total adjustments	**(453,737)**	1,454,357
Net cash flows from operating activities	**1,028,189**	1,105,569
Cash flows from investing activities		
Purchase of property and equipment	**(451,753)**	(918,659)
Proceeds from the sale of investments - short-term	**250,000**	
Proceeds from the sale of investments - long-term	**139,172**	2,730,510
Purchase of investments - long-term	**(457,320)**	(2,924,014)
Net cash flows from investing activities	**(519,901)**	(1,112,163)
Cash flows from financing activities		
Receipt of permanently restricted contributions	**52,275**	68,716
Receipt of contributions and grants for long-lived assets	**62,662**	5,000
Net cash flows from financing activities	**114,937**	73,716
Change in cash and cash equivalents	**623,225**	67,122
Cash and cash equivalents, beginning of year	**1,564,396**	1,497,274
Cash and cash equivalents, end of year	**$ 2,187,621**	$ 1,564,396
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	**$ 1,833,360**	$ 1,461,152
Cash and cash equivalents included in cash and short-term investments designated for capital purposes	**354,261**	103,244
	$ 2,187,621	$ 1,564,396
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	**$ 2,677**	$ 800

Statements of Functional Expenses

Year Ended June 30, 2016
With Summarized Comparative Totals For 2015

	2016								2015
	Program Services					Support Services			
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total	Total
Salaries and benefits	$ 975,739	$ 2,685,037	$ 336,404		$ 3,997,180	$ 1,578,800	$ 908,814	$ 6,484,794	$ 6,422,932
Programming		1,768,761			1,768,761			1,768,761	1,693,406
Professional Services	443,469	277,074	67,764		788,307	89,140	245,087	1,122,534	1,066,757
Printing			42,735		42,735	183,759	592	227,086	205,340
Electricity	261,889				261,889		30,962	292,851	337,659
Maintenance	184,312	6,291			190,603		70,370	260,973	302,863
Postage	1,746	491	47,370		49,607	138,252	5,255	193,114	200,112
Travel and Conference	27,826	37,476	5,284		70,586	40,023	57,160	167,769	143,465
Rent	142,450	5,962			148,412		101,604	250,016	223,731
Insurance	21,346	71,316	7,762		100,424	44,681	15,525	160,630	174,982
Telephone	49,477	11,761			61,238	9,594	80,308	151,140	116,240
Premiums						159,948		159,948	150,981
Miscellaneous	5,626	24,057	5,414		35,097	93,855	50,589	179,541	165,997
Office and Technical Supplies	26,006	12,531	5,709		44,246	17,002	11,033	72,281	59,330
Minor equipment		7,462			7,462		1,134	8,596	13,963
Computer Services	78,414	1,440			79,854			79,854	89,320
Bank fees and discounts						146,548	7,157	153,705	134,720
Advertising			9,802		9,802		635	10,437	5,592
Special events			7,986		7,986	21,998		29,984	8,640
Professional Dues		41,569	248		41,817	396	43,232	85,445	86,627
Strategic initiative/Training							6,544	6,544	19,737
Video Tape		1,289			1,289			1,289	2,664
Subscriptions	1,869	9,264	24		11,157	395	1,724	13,276	9,545
Other Taxes							2,677	2,677	800
Subtotal	2,220,169	4,961,781	536,502		7,718,452	2,524,391	1,640,402	11,883,245	11,635,403
Depreciation	615,379	77,458	19,627	$ 296,201	1,008,665	112,980	39,256	1,160,901	1,077,722
Totals	$ 2,835,548	$ 5,039,239	$ 556,129	$ 296,201	$ 8,727,117	$ 2,637,371	$ 1,679,658	$ 13,044,146	$ 12,713,125

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

Statements of Functional Expenses

Year Ended June 30, 2015

	2015							
	Program Services					Support Services		
	Technical	Programming and Production	Public Information	Digital Television	Total	Development	Administration	Total
Salaries and benefits	$ 979,511	$ 2,654,080	$ 349,213		$ 3,982,804	$ 1,568,490	$ 871,638	$ 6,422,932
Programming		1,693,406			1,693,406			1,693,406
Professional services	420,972	320,293	32,816		774,081	109,814	182,862	1,066,757
Printing		20	29,647		29,667	175,130	543	205,340
Electricity	306,053				306,053		31,606	337,659
Maintenance	184,356	2,508			186,864		115,999	302,863
Postage	1,943	616	40,052		42,611	151,139	6,362	200,112
Travel and conference	30,604	27,598	3,415		61,617	40,907	40,941	143,465
Rent	116,402	6,586			122,988		100,743	223,731
Insurance	24,280	76,151	10,485		110,916	46,408	17,658	174,982
Telephone	41,559	7,732			49,291	6,357	60,592	116,240
Premiums						150,981		150,981
Miscellaneous	3,601	10,421	8,118		22,140	87,829	56,028	165,997
Office and technical supplies	18,082	15,722	4,394		38,198	2,913	18,219	59,330
Minor equipment		4,593			4,593		9,370	13,963
Computer services	87,820	1,500			89,320			89,320
Bank fees and discounts						127,640	7,080	134,720
Advertising			4,347		4,347		1,245	5,592
Special events			2,597		2,597	6,043		8,640
Professional dues		43,313			43,313	1,324	41,990	86,627
Strategic initiative/training							19,737	19,737
Video tape		2,489			2,489	175		2,664
Subscriptions	2,273	4,577	523		7,373	363	1,809	9,545
Other taxes							800	800
Subtotal	2,217,456	4,871,605	485,607		7,574,668	2,475,513	1,585,222	11,635,403
Depreciation	549,122	75,186	21,754	$ 298,732	944,794	96,290	36,638	1,077,722
Totals	$ 2,766,578	$ 4,946,791	$ 507,361	$ 298,732	$ 8,519,462	$ 2,571,803	$ 1,621,860	$ 12,713,125

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

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Accounting

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

Basis of Presentation

MPBN is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of MPBN and/or the passage of time.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable expected to be received after more than one year are discounted to the present value of their future cash flows using a risk adjusted rate of return after providing an allowance for uncollectible pledges. Charitable lead interest trusts are included in pledges receivable at the present value of future distributions using a 6.5% discount rate.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at estimated fair value at date of receipt. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated lives of such assets range between three and thirty-three years. MPBN capitalizes the cost of purchases in excess of $2,500. 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, MPBN has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives.

Restricted and Unrestricted Revenue and Support

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

Investments

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

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

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

Return Objective: Consistent with our asset class return assumptions, the long-term expected annual return for this objective should fall within a range between 5.5 and 7%.

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, 2016 and 2015

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 (6/30).

***Performance Measurement*:** The investment performance of this portfolio will be measured against both a blended benchmark and a static banchmark. 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 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.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, MPBN considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Any cash classified as long-term investments is not considered a cash equivalent because it is not designated for current use by the Board of Trustees.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, MPBN uses various methods, including market, income and cost approaches. Based on these approaches, MPBN often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. MPBN utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, MPBN is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Recent Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board (FASB) released ASU 2016-02 *Leases* (Topic 842), which provides 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, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 and 2017, if presented. Management is currently evaluating the impact of adoption on its financial statements.

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:

	2016	2015
Membership contributions	**$ 1,145,778**	$ 1,104,178
Underwriting	**1,096,310**	1,062,781
General	**150,000**	150,000
Capital campaign	**1,648,986**	262,818
Endowment	**14,500**	27,500
Charitable lead interest trust	**378,000**	420,000
	4,433,574	3,027,277
Less allowance for uncollectible pledges and discount	**343,733**	331,253
Total unconditional promises to give	**$ 4,089,841**	$ 2,696,024
Amount due in:		
Less than one year	**$ 3,031,574**	
One to five years	**1,337,000**	
Thereafter	**65,000**	
	$ 4,433,574	

Notes to Financial Statements

June 30, 2016 and 2015

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:

	2016	2015
Cash	**$ 354,261**	$ 103,244
Certificate of deposit		250,000
	$ 354,261	$ 353,244

NOTE 5 – INVESTMENTS – LONG-TERM AND APPRECIATION OF ENDOWMENT INVESTMENTS

MPBN's Board of Trustees has interpreted state law as requiring the preservation of the original gifts to donor-restricted endowment funds as permanently restricted net assets. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of income and appreciation, amounts not considered permanently restricted are classified as temporarily restricted net assets until appropriated for expenditure. MPBN's Finance Committee elected to spend $190,000 and $170,000 from the endowment for the years ended June 30, 2016 and 2015, respectively. These amounts were less than the amount allowed to be spent under MPBN's spending policy.

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

	2016	2015
Cash and money market accounts	**$ 317,102**	$ 366,402
U.S. Government Agency Obligations	**421,749**	420,946
Mutual funds – fixed income	**839,692**	811,911
Mutual funds – equity securities	**3,862,068**	3,596,562
	$ 5,440,611	$ 5,195,821

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	**$ 4,967,842**	**$ 142,137**	**$ 330,632**	**$ 5,440,611**

Donor-restricted and Board-designated endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 147,648	$ 298,357	$ 446,005
Board-designated endowment funds	$ 4,749,816			4,749,816
Total funds	$ 4,749,816	$ 147,648	$ 298,357	$ 5,195,821

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant state law requires MPBN to retain as a fund of perpetual duration. There was $3,183 of these deficiencies of this nature as of June 30, 2016 and no deficiencies as of June 30, 2015.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 5 – INVESTMENTS – LONG-TERM AND APPRECIATION OF ENDOWMENT INVESTMENTS – CONTINUED

Changes in endowment net assets for the year ended June 30, 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	**$ 4,967,842**	**$ 142,137**	**$ 330,632**	**$ 5,440,611**

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ 4,589,200	$ 145,155	$ 237,298	$ 4,971,653
Investment return:				
Interest and dividends	83,678	7,339		91,017
Net loss	(26,336)	(1,925)		(28,261)
Contributions	270,353		61,059	331,412
Appropriation of endowment assets for expenditure	(167,079)	(2,921)		(170,000)
End of year	$ 4,749,816	$ 147,648	$ 298,357	$ 5,195,821

NOTE 6 – LINES OF CREDIT

MPBN has $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, 2016 and 2015 and the lines of credit were not used during the years then ended. The lines of credit mature in February 2017 and January 2017, and are subject to review at that time.

NOTE 7 – POSTRETIREMENT BENEFITS

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

In 1997, MPBN offered to continue special benefits to its employees who elected voluntary retirement from employment by a specified period of time and notified MPBN by October 30, 1997. Because a significant reduction in future years of service to fill eligibility of active participants has occurred, the offer of special termination benefits resulted in a plan curtailment. The accumulated postretirement benefit obligation at June 30, 2016 and 2015 was $78,864 and $86,464, respectively.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 8 – FAIR VALUES

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

	Total	Level 1	Level 2	Level 3
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	**$ 5,818,611**	**$ 5,018,862**	**$ 799,749**	**$ -**
June 30, 2015:				
Cash equivalents	$ 366,402	$ 366,402		
U.S. Government Obligations	420,946		$ 420,946	
Mutual funds – fixed income	811,911	811,911		
Mutual funds – equity securities	3,596,562	3,596,562		
Pledges receivable - Beneficial interest in charitable lead interest trust	420,000		420,000	
Total	$ 5,615,821	$ 4,774,875	$ 840,946	$ -

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 MPBN. MPBN contributes between 3% and 6.5% of an employee's salary on a graduated rate based upon an employee's contribution. MPBN's contributions were approximately $300,000 and $275,000 in 2016 and 2015, respectively.

NOTE 10 – 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 2016 and 2015, MPBN’s reinsurance policy provided payment for per person annual claim costs in excess of $55,000 for the years ended 2016 and 2015, respectively. Total net cost to MPBN for claims, administration and stop loss insurance totaled $765,214 and $810,169 for the years ended 2016 and 2015, respectively. The statement of financial position includes $89,735 and $100,312 of accrued medical claims as of June 30, 2016 and 2015, respectively.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 11 – RELATED PARTY

MPBN 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 $113,600 and 110,500 during the years ended June 30, 2016 and 2015, 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, 2015	Revenue	Net Assets Released and Losses	**Balance June 30, 2016**
Membership pledges	$ 772,925	$ 802,046	$ (772,925)	**$ 802,046**
Underwriting pledges	1,062,781	2,393,526	(2,355,234)	**1,101,073**
General	150,000	50,000	(50,000)	**150,000**
Capital campaign pledges	262,818	1,639,324	(253,620)	**1,648,522**
Donated building	311,097		(16,816)	**294,281**
	2,559,621	4,884,896	(3,448,595)	**3,995,922**
Charitable lead interest trust	420,000		(42,000)	**378,000**
Endowment gains	147,648	10,271	(15,782)	**142,137**
	567,648	10,271	(57,782)	**520,137**
Digital television	1,212,103		(195,493)	**1,016,610**
Totals	$ 4,339,372	$ 4,895,167	$ (3,701,870)	**$ 5,532,669**

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, 2016 and 2015 was $422,359 and $325,863, respectively.

NOTE 13 – CONTINGENCIES

Grants

MPBN receives funding in the form of grants from the Corporation for Public Broadcasting (CPB) which is a private, nonprofit corporation, the National Telecommunications and Information Administration (NTIA), and 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 MPBN has not complied with the rules and regulations governing the grants, repayments 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, 2016 and 2015

NOTE 14 – LEASES

MPBN 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.

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

MPBN also has ten operating leases for land used for broadcast transmission equipment at various monthly payments. These leases are for terms through year 2021 with annual payments ranging from $200 to $32,000.

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

Years Ending June 30,	
2017	$ 305,000
2018	244,000
2019	245,000
2020	201,000
2021	106,000
Thereafter	24,000
	$ 1,125,000

Rent expense for the above leases for the years ended June 30, 2016 and 2015 was approximately $250,000 and $224,000, respectively.

NOTE 15 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2016, the date the financial statements were available to be issued.