

Michiana Public Broadcasting Corporation

Consolidated Financial Report with Additional Information September 30, 2013

Michiana Public Broadcasting Corporation

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Independent Auditor's Report

To the Board of Directors
Michiana Public Broadcasting Corporation

We have audited the accompanying consolidated financial statements of Michiana Public Broadcasting Corporation (the "Corporation"), which comprise the consolidated statement of financial position as of September 30, 2013 and 2012 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

To the Board of Directors
Michiana Public Broadcasting Corporation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Michiana Public Broadcasting Corporation as of September 30, 2013 and 2012 and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Plante & Morse, PLLC

November 13, 2013

Michiana Public Broadcasting Corporation

Consolidated Statement of Financial Position

	September 30, 2013	September 30, 2012
Assets		
Cash	\$ 41,853	\$ 134,133
Contributions receivable (Note 3)	6,552	45,295
Underwriting receivable - Less allowance for doubtful receivables of \$19,608 in 2013 and \$20,608 in 2012	71,867	167,993
Grant and other receivables	353,075	247,639
Program contract rights	453,190	430,779
Note receivable (Note 4)	9,127,385	9,127,385
Other assets	24,112	14,966
Restricted cash	218,415	283,844
Debt issuance costs - Net	312,881	324,541
Property and equipment - Net (Note 5)	7,740,820	8,323,091
Total assets	\$ 18,350,150	\$ 19,099,666
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable	\$ 388,943	\$ 213,839
Deferred revenue	147,735	215,117
Accrued compensation	57,120	61,935
Other accrued liabilities	46	4,987
Charitable gift annuity liability (Note 7)	-	15,266
Program contract rights payable	792,663	584,316
Long-term debt (Note 8)	11,879,000	11,954,000
Total liabilities	13,265,507	13,049,460
Net Assets		
Unrestricted	4,434,517	5,209,005
Temporarily restricted (Note 9)	650,126	841,201
Total net assets	5,084,643	6,050,206
Total liabilities and net assets	\$ 18,350,150	\$ 19,099,666

Michiana Public Broadcasting Corporation

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended	
	September 30, 2013	September 30, 2012
Changes in Unrestricted Net Assets		
Revenue and support:		
Contributions and support, including in-kind contributions of \$145,851 and \$135,893 in 2013 and 2012, respectively	\$ 227,471	\$ 419,238
Corporation for Public Broadcasting grants (Note 2)	729,174	757,140
State grants	356,900	186,385
Member income	732,904	668,601
Program underwriting	866,655	818,721
Special events	4,288	6,249
Interest income	91,280	92,264
Other income	246,840	165,233
Total revenue and support	3,255,512	3,113,831
Net assets released from restrictions	242,676	265,826
Total revenue, support, and net assets released from restrictions	3,498,188	3,379,657
Expenses:		
Program services:		
Broadcasting	1,552,252	1,483,294
Programming and education	723,621	733,014
Promotion	169,846	187,370
Total program services	2,445,719	2,403,678
Support services:		
Management and general	936,046	845,977
Membership development	890,471	737,419
Special events and other	440	3,622
Total support services	1,826,957	1,587,018
Total expenses	4,272,676	3,990,696
Decrease in Unrestricted Net Assets	(774,488)	(611,039)
Changes in Temporarily Restricted Net Assets		
Federal grants	18,227	29,409
Contributions and support	33,374	69,000
Net assets released from restrictions	(242,676)	(265,826)
Decrease in Temporarily Restricted Net Assets	(191,075)	(167,417)
Decrease in Net Assets	(965,563)	(778,456)
Net Assets - Beginning of year	6,050,206	6,828,662
Net Assets - End of year	\$ 5,084,643	\$ 6,050,206

Michiana Public Broadcasting Corporation

Consolidated Statement of Cash Flows

	Year Ended	
	September 30, 2013	September 30, 2012
Cash Flows from Operating Activities		
Decrease in net assets	\$ (965,563)	\$ (778,456)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	763,563	844,660
Bad debt expense	55,826	38,974
Amortization of program contract rights	152,576	150,739
Amortization of debt costs	11,660	11,660
Donation of equipment	(40,227)	-
Changes in operating assets and liabilities which (provided used) cash:		
Contributions receivable	14,268	90,930
Underwriting receivables	96,126	(53,426)
Grants and other receivables	(136,787)	(85,485)
Program contract rights	33,360	(171,546)
Other assets	(9,146)	22,080
Accounts payable	175,104	(24,681)
Deferred revenue	(67,382)	117,397
Accrued liabilities and other	(9,756)	15,598
Charitable gift annuity	(15,266)	(33)
Net cash provided by operating activities	58,356	178,411
Cash Flows from Investing Activities		
Restricted cash	65,429	49,071
Purchase of property and equipment	(141,065)	(48,562)
Proceeds from sales and maturities of investments	-	82,713
Net cash (used in) provided by investing activities	(75,636)	83,222
Cash Flows from Financing Activities - Payments on debt	(75,000)	(210,050)
Net (Decrease) Increase in Cash	(92,280)	51,583
Cash - Beginning of year	134,133	82,550
Cash - End of year	<u>\$ 41,853</u>	<u>\$ 134,133</u>
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	<u>\$ 183,567</u>	<u>\$ 178,316</u>

During the year end September 30, 2012, one line of credit in the amount of \$200,000 was refinanced to a term loan.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note I - Nature of Operations and Significant Accounting Policies

Michiana Public Broadcasting Corporation (MPBC) owns and operates WNIT Center for Public Media (Channel 34.1, 34.2, and WNIT.org), which provides educational and cultural television programs and related services to communities in northern Indiana and southwestern Michigan. The leadership of MPBC is provided by community volunteers and support is provided by the communities served through memberships, corporate donations, underwriting, and donated services. Additional support is also received from grants from the Corporation for Public Broadcasting and the State of Indiana. Programming is received from the public broadcasting service and other various sources.

Principles of Consolidation - The consolidated financial statements include the accounts of MPBC and MPBC Real Estate, LLC (Real Estate, LLC). In June 2010, MPBC formed Real Estate, LLC for which MPBC is the 99.99 percent investing member. The remaining .01 percent is owned by MPBC Investments, Inc which is 100 percent owned by MPBC. Real Estate, LLC was formed as part of the New Markets Tax Credit (NMTC) structuring. As a result of the structuring, Real Estate, LLC holds the NMTC debt and owns the property and equipment which it leases to MPBC. MPBC and Real Estate, LLC (collectively, the "Corporation") are presented as consolidated for the years ended September 30, 2013 and 2012. All material intercompany accounts and transactions have been eliminated.

Basis of Presentation - Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets are net assets that are not subject to donor-imposed restrictions.

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

Revenue Recognition - The Corporation records contributions of cash, including unconditional promises to donate cash, as revenue in the year received. Contributions include operating grants, membership income, contributions and support, and program underwriting. Revenue received to underwrite production programming is deferred and recognized as revenue when related costs are incurred. The Corporation recognizes revenue from underwriting agreements as deferred until the programs being sponsored are aired.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note I - Nature of Operations and Significant Accounting Policies (Continued)

Revenue, gains, and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as the contributions are received are reported as unrestricted contributions in the consolidated financial statements, except for contributions of equipment or cash restricted for the purchase of equipment. Contributions of property and equipment or cash restricted for the purchase of property and equipment are recorded as an increase in temporarily restricted net assets and released from restriction over the useful life of the asset. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions Receivable - Contributions receivable result from unconditional promises to contribute funds. Pledges are recorded at the net present value of the expected cash flows. Conditional pledges are not recorded. Contributions receivable result from a capital campaign to purchase and improve a public media center building and matching contribution receivable for the regional mobile unit. An allowance for doubtful accounts is established based on a specific assessment of all pledges that remain unpaid. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Program Contract Rights - Program contracts generally give the Corporation the right to broadcast programs on its television station. The full contract price is capitalized at the inception of the contract and amortized, using the straight-line method, over the term of the contract, usually one year. The full contract price is also recorded as program contract rights payable until the invoice is paid.

Debt Issuance Costs - Legal and accounting fees, printing costs, and other expenses of \$349,805 associated with the issuance of long-term debt are being amortized over the term of the debt. Accumulated amortization is \$36,924 and \$25,264 at September 30, 2013 and 2012, respectively, and amortization expense charged to operations in 2013 and 2012 was \$11,660 each year.

Restricted Cash - The cash on hand from the long-term debt is restricted for use according to the provisions of the loan agreement with United Fund Advisors for debt service and to serve as collateral for the long-term debt.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note I - Nature of Operations and Significant Accounting Policies (Continued)

Property and Equipment - Property and equipment are recorded at the lower of cost or market value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Certain items of the Corporation's studio and technical equipment have been acquired in part with National Telecommunications and Information Administration (NTIA) grants from the U.S. Department of Commerce. In connection with these grants, NTIA has a lien for a 10-year period on any equipment acquired with proceeds from NTIA grants. In addition, equipment acquired by the Corporation, which is part of the equipment acquired by NTIA grants, would also be subject to the NTIA liens. Studio and technical equipment with a net book value of \$186,227 and \$215,144 at September 30, 2013 and 2012, respectively, is subject to NTIA liens, which expire at various dates through September 2021. Costs of maintenance and repairs are charged to expense when incurred.

Donated Services and Assets - Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets.

Volunteer services are not reflected in the consolidated financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

Donated assets are reflected in the consolidated financial statements at their estimated values at the time of donation.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different functional amounts but would not alter total functional expenses.

Income Tax Status - MPBC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is therefore not subject to federal and state income taxes. Accordingly, contributions to MPBC are deductible by the donor for federal income tax purposes. Real Estate, LLC has elected to be taxed as a partnership. Generally, the income of a partnership is not subject to federal income tax at the partnership level. Accordingly, no provision for federal income taxes has been made in the accompanying consolidated financial statements.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Accounting principles generally accepted in the United States of America require the Corporation to evaluate tax positions taken by the Corporation and recognize a tax liability if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. The Corporation has analyzed the tax positions taken and has concluded that as of September 30, 2013 and 2012, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations for years prior to September 30, 2010.

Use of 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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including November 13, 2013, which is the date the consolidated financial statements were available to be issued.

Note 2 - Corporation for Public Broadcasting Grants

The Corporation was awarded community service grants from the Corporation for Public Broadcasting (CPB) of \$678,242 and \$708,733 during the years ended September 30, 2013 and 2012, respectively, to finance normal programming and promotion expenses. The grant amounts were based upon nonfederal financial support of \$1,741,094 and \$1,835,880 recorded by the Corporation for the years ended September 30, 2011 and 2010, respectively.

In fiscal year 2014, the community service grant will be \$715,521 based on nonfederal financial support of \$2,058,932 recorded during fiscal year 2012. Nonfederal financial support for the year ended September 30, 2013 will be the basis for the fiscal year 2015 community service grant; however, such grants are dependent on continued funding of CPB by the U.S. government. The Corporation has discussed the need for possible contingency plans if this funding decreases.

The Corporation also received other grants from CPB totaling \$50,932 and \$48,407 for the years ended September 30, 2013 and 2012, respectively.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 3 - Contributions Receivable

Contributions receivable are expected to be collected as follows:

	2013	2012
Due in less than one year	\$ 7,371	\$ 40,080
Due in one to five years	-	14,417
Total	7,371	54,497
Reduction to present value	-	(702)
Allowance for uncollectible contributions	(819)	(8,500)
Net contributions receivable	\$ 6,552	\$ 45,295

Note 4 - Note Receivable

As part of the New Markets Tax Credit structuring (see Note 8), the Corporation issued a loan receivable to WNIT Investment Fund, LLC, an unrelated entity, for \$9,127,385. The receivable requires quarterly interest-only payments at a rate of 1.00 percent with the repayment of principal beginning June 29, 2017.

Note 5 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2013	2012
Land	\$ 383,213	\$ 383,213
Buildings	4,489,329	4,474,460
Office equipment	328,779	328,779
Studio and technical equipment	6,647,948	6,498,345
Transmitter plant	1,376,480	1,376,480
DTV conversion equipment	571,893	571,893
Total cost	13,797,642	13,633,170
Accumulated depreciation	(6,056,822)	(5,310,079)
Net carrying amount	\$ 7,740,820	\$ 8,323,091

Depreciation expense was \$763,563 for 2013 and \$844,660 for 2012.

Subsequent to year end, the Corporation obtained a purchase agreement for the sale of one of its towers. In addition to the purchase agreement, the Corporation signed a lease agreement with the purchaser to lease the tower. The future monthly lease payments are as follows: \$8,000 for years one through five, \$9,203 for years six through ten, \$10,583 for years eleven through fifteen, and \$12,171 for years sixteen through twenty.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 6 - Bank Lines of Credit

The Corporation had borrowings of \$200,000 on a bank line of credit due on January 15, 2012. When the line of credit came due, the outstanding balance of \$200,000 was converted into a term promissory note due on November 15, 2014. In addition, the term promissory note includes a line of credit allowing the Corporation to borrow up to \$100,000. The line of credit is collateralized by substantially all assets of the Corporation and matures on January 15, 2014. Interest is payable monthly at .50 percent above the prime rate with a minimum interest rate of 5.00 percent (an effective rate of 5.00 percent at September 30, 2013 and 2012).

Interest expense for the term promissory notes and bank lines of credit was approximately \$8,000 and \$9,975 for the years ended September 30, 2013 and 2012, respectively.

Subsequent to September 30, 2013, the Corporation opened a line of credit allowing the Corporation to borrow up to \$500,000. The line of credit is collateralized by substantially all assets of the Corporation and matures on January 15, 2014. Interest is payable monthly at .50 percent above the prime rate with a minimum interest rate of 5.00 percent. This line of credit was paid and closed as of the report date.

Note 7 - Charitable Gift Annuity

The Corporation received a contribution under a split-interest agreement from a donor. Under the terms of the contract, the Corporation received \$50,000 and is required to pay the designated beneficiary quarterly distributions during his lifetime, not to exceed \$50,000. As of September 30, 2012, the liability is recorded at the net present value of the estimated payments using a 4.00 percent discount rate. There is no liability recorded as of September 30, 2013 as the donor passed away during the year and the Corporation recognized revenue for the remainder of the annuity balance.

Note 8 - Long-term Debt

Long-term debt at September 30 is as follows:

	2013	2012
Real Estate, LLC note payable, due June 29, 2040. Interest is payable monthly at a fixed rate of 1.3964 percent. Repayment of principal does not begin until June 29, 2017. The note is collateralized by the Corporation's property and equipment	\$ 9,127,385	\$ 9,127,385
Real Estate, LLC note payable, due June 29, 2040. Interest is payable monthly at a fixed rate of 1.3964 percent. Repayment of principal does not begin until June 29, 2017. The note is collateralized by the Corporation's property and equipment	2,632,615	2,632,615

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 8 - Long-term Debt (Continued)

	<u>2013</u>	<u>2012</u>
MPBC note payable, refinanced from a line of credit, bearing interest at .50 percent above the prime rate with a minimum interest rate of 5.00 percent (an effective rate of 5.00 percent at September 30, 2013 and 2012), with principal and interest due monthly and remaining principal due upon maturity on November 15, 2014. Subsequent to year end, the Corporation paid this loan in full	\$ 119,000	\$ 194,000
Total	<u>\$ 11,879,000</u>	<u>\$ 11,954,000</u>

The balance of the above debt matures as follows:

2014	\$ 108,000
2015	11,000
2016	-
2017	<u>11,760,000</u>
Total	<u>\$ 11,879,000</u>

The long-term debt of Real Estate, LLC financed the purchase of certain fixed assets owned by MPBC by Real Estate, LLC during the year ended September 30, 2010. The transaction was structured under the New Markets Tax Credit program administered by the Community Development Financial Institutions Fund of the U.S. Department of Treasury. Under the program and as part of the loan agreements, Real Estate, LLC has committed to maintaining its status as a qualified active low-income community business as defined in IRC Section 45D.

The second Real Estate, LLC note also contains a put provision which can be exercised in 2017. The put provision would require the Corporation to pay \$1,000 upon which the principal portion of the notes will be forgiven by the bank. However, the Corporation cannot assume the put provision will be exercised; therefore, the Corporation must plan on repaying the loan over the full 30 years or until such time as the note is actually forgiven.

A call provision is also included, which can be exercised by the Corporation. The call provision would require the bank to waive the debt for a cost equal to the fair market value of the bank's interest.

Interest expense related to this debt for the years ended September 30, 2013 and 2012 was approximately \$164,000 and \$168,000, respectively.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2013 and 2012

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2013 and 2012 were restricted for the following purposes:

	2013	2012
Grant-acquired equipment	\$ 608,171	\$ 772,201
Regional mobile unit	41,955	69,000
Total temporarily restricted net assets	<u>\$ 650,126</u>	<u>\$ 841,201</u>

Note 10 - Employee Benefit Plan

The Corporation has a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code, which covers all of its employees. The plan is a defined contribution plan that allows an employee to make voluntary contributions not to exceed the limits imposed by Section 415 and Section 403(b) of the IRC. Under the plan, the Corporation is obligated to match up to 3 percent of the participant's annual compensation. The Corporation's expense under the plan aggregated \$17,648 and \$18,563 for the years ended September 30, 2013 and 2012, respectively.

Note 11 - Community Foundation

Certain funds donated by outside donors for the benefit of the Corporation are held and managed by the Community Foundation of St. Joseph County (the "Foundation"). The Foundation maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Corporation. The fair market value of these funds is approximately \$253,000 and \$238,000 at September 30, 2013 and 2012, respectively. These funds are not reflected in the consolidated financial statements. Earnings are available for distribution to the Corporation at the discretion of the Foundation, and therefore, are not reflected as revenue in the consolidated financial statements until received by the Corporation.

In addition, the Corporation established a fund at Elkhart County Community Foundation (ECCF). This fund consists mainly of donations directed to ECCF by the Corporation. ECCF maintains legal ownership of the fund and, as such, continues to report the fund as an asset and liability. The value of the funds held at ECCF for the benefit of the Corporation was \$6,745 as of September 30, 2013 and 2012 and is recorded as other assets on the consolidated statement of financial position.

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Michiana Public Broadcasting Corporation

We have audited the consolidated financial statements of Michiana Public Broadcasting Corporation (the "Corporation") as of and for the years ended September 30, 2013 and 2012. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information and consolidated statement of functional expenses are presented for the purpose of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual companies and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

November 13, 2013

Michiana Public Broadcasting Corporation

Consolidating Statement of Financial Position September 30, 2013

	MPBC	MPBC Real Estate, LLC	Eliminating Entries	Total
Assets				
Cash	\$ 40,043	\$ 1,810	\$ -	\$ 41,853
Contributions receivable	6,552	-	-	6,552
Underwriting receivable - Less allowance for doubtful receivables of \$19,608	71,867	-	-	71,867
Grant and other receivables	353,075	-	-	353,075
Program contract rights	453,190	-	-	453,190
Note receivable	9,152,385	-	(25,000)	9,127,385
Other assets	24,112	-	-	24,112
Restricted cash	-	218,415	-	218,415
Debt issuance costs - Net	-	312,881	-	312,881
Property and equipment - Net	1,015,218	6,725,602	-	7,740,820
Investment in real estate	(4,526,292)	-	4,526,292	-
Total assets	<u>\$ 6,590,150</u>	<u>\$ 7,258,708</u>	<u>\$ 4,501,292</u>	<u>\$ 18,350,150</u>
Liabilities and Net Assets (Deficit)				
Liabilities				
Accounts payable	\$ 388,943	\$ -	\$ -	\$ 388,943
Deferred revenue	147,735	-	-	147,735
Accrued compensation	57,120	-	-	57,120
Other accrued liabilities	46	-	-	46
Program contract rights payable	792,663	-	-	792,663
Long-term debt	119,000	11,785,000	(25,000)	11,879,000
Total liabilities	1,505,507	11,785,000	(25,000)	13,265,507
Net Assets (Deficit)				
Members' capital	-	(4,526,292)	4,526,292	-
Unrestricted	4,434,517	-	-	4,434,517
Temporarily restricted	650,126	-	-	650,126
Total net assets (deficit)	<u>5,084,643</u>	<u>(4,526,292)</u>	<u>4,526,292</u>	<u>5,084,643</u>
Total liabilities and net assets (deficit)	<u>\$ 6,590,150</u>	<u>\$ 7,258,708</u>	<u>\$ 4,501,292</u>	<u>\$ 18,350,150</u>

Michiana Public Broadcasting Corporation

Consolidating Statement of Financial Position September 30, 2012

	MPBC	MPBC Real Estate, LLC	Eliminating Entries	Total
Assets				
Cash	\$ 133,036	\$ 1,097	\$ -	\$ 134,133
Contributions receivable	45,295	-	-	45,295
Underwriting receivable - Less allowance for doubtful receivables of \$20,608	167,993	-	-	167,993
Grant and other receivables	247,639	-	-	247,639
Program contract rights	430,779	-	-	430,779
Note receivable	9,152,385	-	(25,000)	9,127,385
Other assets	14,966	-	-	14,966
Restricted cash	-	283,844	-	283,844
Debt issuance costs - Net	-	324,541	-	324,541
Property and equipment - Net	944,036	7,379,055	-	8,323,091
Investment in real estate	(3,796,463)	-	3,796,463	-
Total assets	<u>\$ 7,339,666</u>	<u>\$ 7,988,537</u>	<u>\$ 3,771,463</u>	<u>\$ 19,099,666</u>
Liabilities and Net Assets (Deficit)				
Liabilities				
Accounts payable	\$ 213,839	\$ -	\$ -	\$ 213,839
Deferred revenue	215,117	-	-	215,117
Accrued compensation	61,935	-	-	61,935
Other accrued liabilities	4,987	-	-	4,987
Charitable gift annuity liability	15,266	-	-	15,266
Program contract rights payable	584,316	-	-	584,316
Long-term debt	194,000	11,785,000	(25,000)	11,954,000
Total liabilities	1,289,460	11,785,000	(25,000)	13,049,460
Net Assets (Deficit)				
Members' capital	-	(3,796,463)	3,796,463	-
Unrestricted	5,209,005	-	-	5,209,005
Temporarily restricted	841,201	-	-	841,201
Total net assets (deficit)	<u>6,050,206</u>	<u>(3,796,463)</u>	<u>3,796,463</u>	<u>6,050,206</u>
Total liabilities and net assets (deficit)	<u>\$ 7,339,666</u>	<u>\$ 7,988,537</u>	<u>\$ 3,771,463</u>	<u>\$ 19,099,666</u>

Michiana Public Broadcasting Corporation

Consolidating Statement of Activities and Changes in Net Assets (Deficit) Year Ended September 30, 2013

	MPBC	MPBC Real Estate, LLC	Eliminating Entries	Total
Changes in Unrestricted Net Assets				
Revenue and support:				
Contributions and support, including in-kind contributions of \$145,851	\$ 227,471	\$ -	\$ -	\$ 227,471
Corporation for Public Broadcasting grants	729,174	-	-	729,174
State grants	356,900	-	-	356,900
Member income	732,904	-	-	732,904
Program underwriting	866,655	-	-	866,655
Special events	4,288	-	-	4,288
Interest income	91,280	-	-	91,280
Rental income	-	167,500	(167,500)	-
Other income	(417,988)	11,740	653,088	246,840
Total revenue and support	2,590,684	179,240	485,588	3,255,512
Net assets released from restrictions	242,676	-	-	242,676
Total revenue, support, and net assets released from restrictions	2,833,360	179,240	485,588	3,498,188
Expenses:				
Program services:				
Broadcasting	1,074,610	477,642	-	1,552,252
Programming and education	723,621	-	-	723,621
Promotion	169,846	-	-	169,846
Total program services	1,968,077	477,642	-	2,445,719
Support services:				
Management and general	748,860	354,686	(167,500)	936,046
Membership development	890,471	-	-	890,471
Special events and other	440	-	-	440
Total support services	1,639,771	354,686	(167,500)	1,826,957
Total expenses	3,607,848	832,328	(167,500)	4,272,676
Decrease in Unrestricted Net Assets	(774,488)	(653,088)	653,088	(774,488)
Changes in Temporarily Restricted Net Assets				
Federal grants	18,227	-	-	18,227
Contributions and support	33,374	-	-	33,374
Net assets released from restrictions	(242,676)	-	-	(242,676)
Decrease in Temporarily Restricted Net Assets	(191,075)	-	-	(191,075)
Changes in Members' Capital - Distributions	-	(76,741)	76,741	-
Decrease in Net Assets	(965,563)	(729,829)	729,829	(965,563)
Net Assets (Deficit) - Beginning of year	6,050,206	(3,796,463)	3,796,463	6,050,206
Net Assets (Deficit) - End of year	<u>\$ 5,084,643</u>	<u>\$ (4,526,292)</u>	<u>\$ 4,526,292</u>	<u>\$ 5,084,643</u>

Michiana Public Broadcasting Corporation

Consolidating Statement of Activities and Changes in Net Assets (Deficit) Year Ended September 30, 2012

	MPBC	MPBC Real Estate, LLC	Eliminating Entries	Total
Changes in Unrestricted Net Assets				
Revenue and support:				
Contributions and support, including in-kind contributions of \$135,893	\$ 419,238	\$ -	\$ -	\$ 419,238
Corporation for Public Broadcasting grants	757,140	-	-	757,140
State grants	186,385	-	-	186,385
Member income	668,601	-	-	668,601
Program underwriting	818,721	-	-	818,721
Special event revenue	6,249	-	-	6,249
Interest income	92,264	-	-	92,264
Rental income	-	167,500	(167,500)	-
Other income	(598,389)	6,375	757,247	165,233
Total revenue and support	2,350,209	173,875	589,747	3,113,831
Net assets released from restrictions	265,826	-	-	265,826
Total revenue, support, and net assets released from restrictions	2,616,035	173,875	589,747	3,379,657
Expenses:				
Program services:				
Broadcasting	907,135	576,159	-	1,483,294
Programming and education	733,014	-	-	733,014
Promotion	187,370	-	-	187,370
Total program services	1,827,519	576,159	-	2,403,678
Support services:				
Management and general	658,514	354,963	(167,500)	845,977
Membership development	737,419	-	-	737,419
Special events and other	3,622	-	-	3,622
Total support services	1,399,555	354,963	(167,500)	1,587,018
Total expenses	3,227,074	931,122	(167,500)	3,990,696
Decrease in Unrestricted Net Assets	(611,039)	(757,247)	757,247	(611,039)
Changes in Temporarily Restricted Net Assets				
Federal grants	29,409	-	-	29,409
Contributions and support	69,000	-	-	69,000
Net assets released from restrictions	(265,826)	-	-	(265,826)
Decrease in Temporarily Restricted Net Assets	(167,417)	-	-	(167,417)
Changes in Members' Capital - Distributions	-	(71,775)	71,775	-
Decrease in Net Assets	(778,456)	(829,022)	829,022	(778,456)
Net Assets (Deficit) - Beginning of year	6,828,662	(2,967,441)	2,967,441	6,828,662
Net Assets (Deficit) - End of year	<u>\$ 6,050,206</u>	<u>\$ (3,796,463)</u>	<u>\$ 3,796,463</u>	<u>\$ 6,050,206</u>

Michiana Public Broadcasting Corporation

Consolidated Statement of Functional Expenses Year Ended September 30, 2013

	Program Services				Support Services				
	Broadcasting	Programming and Education	Promotion	Total Program Services	Management and General	Membership Development	Special Events and Other	Total Support Services	Total
Salaries	\$ 432,121	\$ 40,352	\$ 63,906	\$ 536,379	\$ 216,737	\$ 418,653	\$ 300	\$ 635,690	\$ 1,172,069
Employee benefits	21,944	113	2,417	24,474	(487)	21,709	-	21,222	45,696
Retirement	9,505	1,006	-	10,511	1,441	5,696	-	7,137	17,648
Payroll taxes	30,734	3,134	4,740	38,608	15,808	29,054	-	44,862	83,470
Total salaries and related expenses	494,304	44,605	71,063	609,972	233,499	475,112	300	708,911	1,318,883
PBS programming	-	573,260	-	573,260	-	-	-	-	573,260
Other programming	-	32,885	-	32,885	-	63,368	-	63,368	96,253
Dues and subscriptions	360	-	-	360	40,342	2,988	-	43,330	43,690
Telephone and utilities	142,874	281	89	143,244	5,903	1,456	-	7,359	150,603
Materials and supplies	9,580	497	638	10,715	4,328	24,957	-	29,285	40,000
Lease	6,560	-	-	6,560	2,982	3,300	-	6,282	12,842
Printing and publications	-	23,529	36,205	59,734	40	14,419	-	14,459	74,193
Advertising and development	-	-	217	217	-	68,666	-	68,666	68,883
Postage and shipping	1,997	579	-	2,576	4,551	19,187	-	23,738	26,314
Travel and conferences	2,644	510	7,740	10,894	7,696	16,648	-	24,344	35,238
Repairs and maintenance	67,898	-	-	67,898	418	-	-	418	68,316
Insurance	-	-	-	-	49,411	-	-	49,411	49,411
Interest and bank charges	-	-	-	-	187,633	12,160	-	199,793	199,793
Depreciation and amortization	579,235	-	-	579,235	195,988	-	-	195,988	775,223
Contract services	237,650	47,475	53,894	339,019	201,678	128,631	140	330,449	669,468
Bad debt	-	-	-	-	-	55,826	-	55,826	55,826
Miscellaneous	9,150	-	-	9,150	1,577	3,753	-	5,330	14,480
Total functional expenses	<u>\$ 1,552,252</u>	<u>\$ 723,621</u>	<u>\$ 169,846</u>	<u>\$ 2,445,719</u>	<u>\$ 936,046</u>	<u>\$ 890,471</u>	<u>\$ 440</u>	<u>\$ 1,826,957</u>	<u>\$ 4,272,676</u>

Michiana Public Broadcasting Corporation

Consolidated Statement of Functional Expenses Year Ended September 30, 2012

	Program Services				Support Services				
	Broadcasting	Programming and Education	Promotion	Total Program Services	Management and General	Membership Development	Special Events and Other	Total Support Services	Total
Salaries	\$ 402,621	\$ 39,420	\$ 63,664	\$ 505,705	\$ 191,220	\$ 365,281	\$ 465	\$ 556,966	\$ 1,062,671
Employee benefits	21,431	(250)	4,265	25,446	4,265	20,337	-	24,602	50,048
Retirement	10,204	990	-	11,194	4,495	2,874	-	7,369	18,563
Payroll taxes	27,562	2,984	4,606	35,152	13,900	31,725	1	45,626	80,778
Total salaries and related expenses	461,818	43,144	72,535	577,497	213,880	420,217	466	634,563	1,212,060
Programming	-	473,630	-	473,630	-	64,409	-	64,409	538,039
Dues and subscriptions	993	166,471	50	167,514	28,268	230	-	28,498	196,012
Telephone and utilities	126,241	1,427	708	128,376	3,906	3,294	-	7,200	135,576
Materials and supplies	11,888	607	1,556	14,051	6,613	11,585	-	18,198	32,249
Lease	1,705	-	-	1,705	5,784	2,500	-	8,284	9,989
Printing and publications	5	-	36,839	36,844	26	17,378	-	17,404	54,248
Advertising and development	-	-	22,229	22,229	-	66,102	-	66,102	88,331
Postage and shipping	2,583	1,000	7,264	10,847	3,462	13,805	4	17,271	28,118
Travel and conferences	2,366	135	358	2,859	10,678	14,846	-	25,524	28,383
Repairs and maintenance	42,667	-	-	42,667	-	-	-	-	42,667
Insurance	-	-	-	-	30,326	-	-	30,326	30,326
Interest and bank charges	359	-	-	359	178,406	13,510	-	191,916	192,275
Depreciation and amortization	659,653	-	-	659,653	196,667	-	-	196,667	856,320
Contract services	165,268	46,600	45,806	257,674	158,439	72,145	3,152	233,736	491,410
Bad debt	4,589	-	-	4,589	-	34,385	-	34,385	38,974
Miscellaneous	3,159	-	25	3,184	9,522	3,013	-	12,535	15,719
Total functional expenses	<u>\$ 1,483,294</u>	<u>\$ 733,014</u>	<u>\$ 187,370</u>	<u>\$ 2,403,678</u>	<u>\$ 845,977</u>	<u>\$ 737,419</u>	<u>\$ 3,622</u>	<u>\$ 1,587,018</u>	<u>\$ 3,990,696</u>