

Michiana Public Broadcasting Corporation

**Consolidated Financial Report
with Additional Information
September 30, 2014**

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, 2014 and 2013 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 Consolidated 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, 2014 and 2013 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.

Plante & Moran, PLLC

November 14, 2014

Michiana Public Broadcasting Corporation

Consolidated Statement of Financial Position

	September 30, 2014	September 30, 2013
Assets		
Cash	\$ 77,831	\$ 41,853
Contributions receivable	-	6,552
Underwriting receivable - Less allowance for doubtful receivables of \$11,160 in 2014 and \$19,608 in 2013	50,338	71,867
Grant and other receivables	376,286	353,075
Program contract rights	483,008	453,190
Note receivable (Note 3)	9,127,385	9,127,385
Other assets	86,546	24,112
Restricted cash	136,629	218,415
Debt issuance costs - Net	301,221	312,881
Property and equipment - Net (Note 4)	8,182,990	7,740,820
Total assets	<u>\$ 18,822,234</u>	<u>\$ 18,350,150</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 101,118	\$ 388,943
Deferred revenue	229,640	147,735
Deferred gain on sale-leaseback transaction (Note 7)	643,345	-
Accrued compensation	65,891	57,120
Other accrued liabilities	263	46
Program contract rights payable	639,645	792,663
Long-term debt (Note 6)	11,760,000	11,879,000
Capital lease obligation (Note 7)	1,427,911	-
Total liabilities	14,867,813	13,265,507
Net Assets		
Unrestricted	3,646,833	4,434,517
Temporarily restricted (Note 8)	307,588	650,126
Total net assets	<u>3,954,421</u>	<u>5,084,643</u>
Total liabilities and net assets	<u>\$ 18,822,234</u>	<u>\$ 18,350,150</u>

Michiana Public Broadcasting Corporation

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended	
	September 30, 2014	September 30, 2013
Changes in Unrestricted Net Assets		
Revenue and support:		
Contributions and support, including in-kind contributions of \$213,063 and \$145,851 in 2014 and 2013, respectively	\$ 256,315	\$ 227,471
Corporation for Public Broadcasting grants (Note 2)	800,250	729,174
State grants	351,381	356,900
Member income	849,702	732,904
Program underwriting	716,017	866,655
Special events	60,130	4,288
Interest income	91,278	91,280
Other income	275,204	246,840
Total revenue and support	3,400,277	3,255,512
Net assets released from restrictions	342,538	242,676
Total revenue, support, and net assets released from restrictions	3,742,815	3,498,188
Expenses:		
Program services:		
Broadcasting	1,590,958	1,552,252
Programming and education	760,316	723,621
Promotion	172,805	169,846
Total program services	2,524,079	2,445,719
Support services:		
Management and general	923,057	936,046
Membership development	1,014,103	890,471
Special events and other	3,692	440
Total support services	1,940,852	1,826,957
Total expenses	4,464,931	4,272,676
Loss from Operating Activities	(722,116)	(774,488)
Loss on Sale of Property and Equipment (Note 4)	(99,920)	-
Amortization of Deferred Gain (Note 7)	34,352	-
Decrease in Unrestricted Net Assets	(787,684)	(774,488)
Changes in Temporarily Restricted Net Assets		
Federal grants	-	18,227
Contributions and support	-	33,374
Net assets released from restrictions	(342,538)	(242,676)
Decrease in Temporarily Restricted Net Assets	(342,538)	(191,075)
Decrease in Net Assets	(1,130,222)	(965,563)
Net Assets - Beginning of year	5,084,643	6,050,206
Net Assets - End of year	\$ 3,954,421	\$ 5,084,643

Michiana Public Broadcasting Corporation

Consolidated Statement of Cash Flows

	Year Ended	
	September 30, 2014	September 30, 2013
Cash Flows from Operating Activities		
Decrease in net assets	\$ (1,130,222)	\$ (965,563)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	729,636	763,563
Bad debt expense	66,090	55,826
Amortization of program contract rights	166,852	152,576
Loss on the sale of property and equipment	99,920	-
Amortization of deferred gain	(34,352)	-
Amortization of debt costs	11,660	11,660
Donation of equipment	(3,000)	(40,227)
Changes in operating assets and liabilities which provided (used) cash:		
Contributions receivable	5,778	14,268
Underwriting receivables	21,529	96,126
Grants and other receivables	(88,527)	(136,787)
Program contract rights	(349,688)	33,360
Other assets	(62,434)	(9,146)
Accounts payable	(287,825)	175,104
Deferred revenue	81,905	(67,382)
Accrued liabilities and other	8,988	(9,756)
Charitable gift annuity	-	(15,266)
Net cash (used in) provided by operating activities	(763,690)	58,356
Cash Flows from Investing Activities		
Restricted cash	81,786	65,429
Purchase of property and equipment	(141,461)	(141,065)
Proceeds from sale of property and equipment	1,000,000	-
Net cash provided by (used in) investing activities	940,325	(75,636)
Cash Flows from Financing Activities		
Payments on debt	(119,000)	(75,000)
Payments on capital lease	(21,657)	-
Net cash used in financing activities	(140,657)	(75,000)
Net Increase (Decrease) in Cash	35,978	(92,280)
Cash - Beginning of year	41,853	134,133
Cash - End of year	\$ 77,831	\$ 41,853
Supplemental Disclosure of Cash Flow Information - Cash paid for		
Interest	\$ 167,933	\$ 183,567
Sales leaseback transaction	1,449,568	-

During 2014, the Corporation sold one of its towers and the land on which the tower is located. In addition to the sale, the Corporation signed a lease agreement with the purchaser to lease the tower (see Note 7). At the commencement of the lease, the present value of net minimum lease payments totaled \$1,449,568.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2014 and 2013

Note 1 - 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 and therefore is included within the consolidated financial statements. 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, 2014 and 2013. 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, and contributions and support. 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, 2014 and 2013

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 \$48,584 and \$36,924 at September 30, 2014 and 2013, respectively, and amortization expense charged to operations in 2014 and 2013 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, 2014 and 2013

Note 1 - 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. Estimated lives are 5 to 10 years for office, studio, and technical equipment. Estimated lives for the transmitter plant, DTV conversion equipment, and leased equipment are 10 to 20 years. The estimated life of the building is 40 years.

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 \$163,251 and \$186,227 at September 30, 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013, 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, 2011.

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 14, 2014, 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 \$755,985 and \$678,242 during the years ended September 30, 2014 and 2013, respectively, to finance normal programming and promotion expenses. The grant amounts were based upon nonfederal financial support of \$2,058,932 and \$1,741,094 recorded by the Corporation for the years ended September 30, 2012 and 2011, respectively.

In fiscal year 2015, the community service grant will be \$786,693 based on nonfederal financial support of \$2,204,566 recorded during fiscal year 2013. Nonfederal financial support for the year ended September 30, 2014 will be the basis for the fiscal year 2016 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 \$44,265 and \$50,932 for the years ended September 30, 2014 and 2013, respectively.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2014 and 2013

Note 3 - Note Receivable

As part of the New Markets Tax Credit structuring (see Note 6), 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 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2014	2013
Land	\$ 211,493	\$ 383,213
Buildings	4,512,575	4,489,329
Office equipment	330,835	328,779
Studio and technical equipment	6,738,082	6,647,948
Transmitter plant	842,014	1,376,480
DTV conversion equipment	571,893	571,893
Equipment under capital lease	1,449,568	-
Total cost	14,656,460	13,797,642
Accumulated depreciation	(6,473,470)	(6,056,822)
Net carrying amount	\$ 8,182,990	\$ 7,740,820

Depreciation expense was \$663,198 for 2014 and \$763,563 for 2013.

During 2014, the Corporation sold one of its towers and the land on which the tower is located. In addition to the sale, the Corporation signed a lease agreement with the purchaser to lease the tower (see Note 7). The land was not included in the lease agreement, therefore the Corporation incurred a loss on the sale of \$99,920 in 2014. Depreciation expense on the leased equipment was \$66,438 for 2014.

Note 5 - Bank Lines of Credit

The Corporation has 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, 2015. 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, 2014 and 2013). There was no outstanding balance on the line of credit as of September 30, 2014 and 2013.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2014 and 2013

Note 5 - Bank Lines of Credit (Continued)

During October 2013, the Corporation opened a line of credit allowing the Corporation to borrow up to \$500,000. The line of credit was collateralized by substantially all assets of the Corporation and matured on January 15, 2014. Interest was 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 during fiscal 2014.

Interest expense for the bank lines of credit was approximately \$3,000 and \$8,000 for the years ended September 30, 2014 and 2013, respectively.

Note 6 - Long-term Debt

Long-term debt at September 30 is as follows:

	<u>2014</u>	<u>2013</u>
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
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, 2014 and 2013), with principal and interest due monthly and remaining principal due upon maturity on November 15, 2014. This note payable was paid in full and closed during fiscal year 2014	-	119,000
Total	<u>\$ 11,760,000</u>	<u>\$ 11,879,000</u>

The balance of the above debt matures as follows:

2017	\$ 54,999
2018	110,480
2019	222,703
Thereafter	<u>11,371,818</u>
Total	<u>\$ 11,760,000</u>

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2014 and 2013

Note 6 - Long-term Debt (Continued)

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 the 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 LLC to pay \$1,000 upon which the principal portion of the notes will be forgiven by the bank. However, the LLC cannot assume the put provision will be exercised; therefore, the LLC 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 LLC. 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 debt for the years ended September 30, 2014 and 2013 was approximately \$165,000 and \$164,000, respectively.

Note 7 - Capital Lease

The Corporation sold one of its towers in November 2013. In addition to the sales agreement, the Corporation signed a lease agreement with the purchaser to lease the tower. The future minimum lease payments under this capital lease are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2015	\$ 96,000
2016	96,000
2017	96,000
2018	96,000
2019	109,237
Thereafter	<u>1,816,572</u>
Total minimum lease payments	2,309,809
Less amount representing interest	<u>881,898</u>
Present value of net minimum lease payments	<u>\$ 1,427,911</u>

Equipment purchased under the capital lease arrangements has been capitalized and is included in property and equipment (see Note 4).

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2014 and 2013

Note 7 - Capital Lease (Continued)

The interest rate on this capital lease is 5.00 percent.

The gain on the sale-leaseback of the tower and related assets amounted to \$677,697 and has been deferred over the 20-year life of the lease. The deferred gain as of the year ended September 30, 2014 is \$643,345. The Corporation recognized a gain of approximately \$34,000 during 2014, which is reported within the consolidated statement of activities and changes in net assets.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2014 and 2013 were restricted for the following purposes:

	2014	2013
Grant-acquired equipment	\$ 307,588	\$ 608,171
Regional mobile unit	-	41,955
Total temporarily restricted net assets	<u>\$ 307,588</u>	<u>\$ 650,126</u>

Note 9 - 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 \$17,517 and \$17,648 for the years ended September 30, 2014 and 2013, respectively.

Note 10 - 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 \$260,000 and \$253,000 at September 30, 2014 and 2013, 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.

Michiana Public Broadcasting Corporation

Notes to Consolidated Financial Statements September 30, 2014 and 2013

Note 10 - Community Foundation (Continued)

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, 2014 and 2013 and is recorded as other assets on the consolidated statement of financial position.

Additional Information



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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, 2014 and 2013 and have issued our report thereon dated November 14, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and statement of activities and changes in net assets (deficit) 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 14, 2014

Michiana Public Broadcasting Corporation

Consolidating Statement of Financial Position September 30, 2014

	MPBC	MPBC Real Estate, LLC	Eliminating Entries	Total
Assets				
Cash	\$ 75,309	\$ 2,522	\$ -	\$ 77,831
Underwriting receivable - Less allowance for doubtful receivables of \$11,160	50,338	-	-	50,338
Grant and other receivables	376,286	-	-	376,286
Program contract rights	483,008	-	-	483,008
Note receivable	9,152,385	-	(25,000)	9,127,385
Other assets	70,189	16,357	-	86,546
Restricted cash	-	136,629	-	136,629
Debt issuance costs - Net	-	301,221	-	301,221
Property and equipment - Net	2,206,975	5,976,015	-	8,182,990
Investment in real estate	(5,352,256)	-	5,352,256	-
Total assets	\$ 7,062,234	\$ 6,432,744	\$ 5,327,256	\$ 18,822,234
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 101,118	\$ -	\$ -	\$ 101,118
Deferred revenue	229,640	-	-	229,640
Deferred gain on sale-leaseback transaction	643,345	-	-	643,345
Accrued compensation	65,891	-	-	65,891
Other accrued liabilities	263	-	-	263
Program contract rights payable	639,645	-	-	639,645
Long-term debt	-	11,785,000	(25,000)	11,760,000
Capital lease obligation	1,427,911	-	-	1,427,911
Total liabilities	3,107,813	11,785,000	(25,000)	14,867,813
Net Assets (Deficit)				
Members' capital	-	(5,352,256)	5,352,256	-
Unrestricted	3,646,833	-	-	3,646,833
Temporarily restricted	307,588	-	-	307,588
Total net assets (deficit)	3,954,421	(5,352,256)	5,352,256	3,954,421
Total liabilities and net assets (deficit)	\$ 7,062,234	\$ 6,432,744	\$ 5,327,256	\$ 18,822,234

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	-
	<u>\$ 6,590,150</u>	<u>\$ 7,258,708</u>	<u>\$ 4,501,292</u>	<u>\$ 18,350,150</u>
Liabilities and Net Assets				
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
	<u>1,505,507</u>	<u>11,785,000</u>	<u>(25,000)</u>	<u>13,265,507</u>
Net Assets (Deficit)				
Members' capital	-	(4,526,292)	4,526,292	-
Unrestricted	4,434,517	-	-	4,434,517
Temporarily restricted	650,126	-	-	650,126
	<u>5,084,643</u>	<u>(4,526,292)</u>	<u>4,526,292</u>	<u>5,084,643</u>
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 Activities and Changes in Net Assets (Deficit) Year Ended September 30, 2014

	MPBC	MPBC Real Estate, LLC	Eliminating Entries	Total
Changes in Unrestricted Net Assets				
Revenue and support:				
Contributions and support, including in-kind contributions of \$213,063	\$ 256,315	\$ -	\$ -	\$ 256,315
Corporation for Public Broadcasting grants	800,250	-	-	800,250
State grants	351,381	-	-	351,381
Member income	849,702	-	-	849,702
Program underwriting	716,017	-	-	716,017
Special events	60,130	-	-	60,130
Interest income	91,278	-	-	91,278
Rental income	-	167,500	(167,500)	-
Other income	(264,280)	28,195	511,289	275,204
Total revenue and support	2,860,793	195,695	343,789	3,400,277
Net assets released from restrictions	342,538	-	-	342,538
Total revenue, support, and net assets released from restrictions	3,203,331	195,695	343,789	3,742,815
Expenses:				
Program services:				
Broadcasting	1,227,298	363,660	-	1,590,958
Programming and education	760,316	-	-	760,316
Promotion	172,805	-	-	172,805
Total program services	2,160,419	363,660	-	2,524,079
Support services:				
Management and general	747,233	343,324	(167,500)	923,057
Membership development	1,014,103	-	-	1,014,103
Special events and other	3,692	-	-	3,692
Total support services	1,765,028	343,324	(167,500)	1,940,852
Total expenses	3,925,447	706,984	(167,500)	4,464,931
Loss on Sale of Property and Equipment	(99,920)	-	-	(99,920)
Amortization of Deferred Gain	34,352	-	-	34,352
Decrease in Unrestricted Net Assets	(787,684)	(511,289)	511,289	(787,684)
Changes in Temporarily Restricted Net Assets -				
Net assets released from restrictions	(342,538)	-	-	(342,538)
Changes in Members' Capital - Distributions	-	(314,675)	314,675	-
Decrease in Net Assets	(1,130,222)	(825,964)	825,964	(1,130,222)
Net Assets (Deficit) - Beginning of year	5,084,643	(4,526,292)	4,526,292	5,084,643
Net Assets (Deficit) - End of year	\$ 3,954,421	\$ (5,352,256)	\$ 5,352,256	\$ 3,954,421

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 event revenue	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	\$ 5,084,643	\$ (4,526,292)	\$ 4,526,292	\$ 5,084,643

Michiana Public Broadcasting Corporation

Consolidated Statement of Functional Expenses Year Ended September 30, 2014

	Program Services			Total Program Services	Support Services				Total
	Broadcasting	Programming and Education	Promotion		Management and General	Membership Development	Special Events and Other	Total Support Services	
Salaries	\$ 471,974	\$ 34,954	\$ 63,115	\$ 570,043	\$ 186,424	\$ 369,917	\$ 214	\$ 556,555	\$ 1,126,598
Employee benefits	18,482	126	460	19,068	5,705	22,927	-	28,632	47,700
Retirement	9,314	1,277	-	10,591	1,037	5,889	-	6,926	17,517
Payroll taxes	33,119	2,648	4,776	40,543	13,838	23,606	14	37,458	78,001
Total salaries and related expenses	532,889	39,005	68,351	640,245	207,004	422,339	228	629,571	1,269,816
PBS programming	-	602,130	-	602,130	-	-	-	-	602,130
Other programming	-	37,282	-	37,282	-	128,846	-	128,846	166,128
Dues and subscriptions	741	-	-	741	66,782	499	-	67,281	68,022
Telephone and utilities	150,815	200	-	151,015	10,340	1,853	-	12,193	163,208
Materials and supplies	10,734	676	1,013	12,423	10,123	33,754	-	43,877	56,300
Lease	14,994	-	-	14,994	823	16,386	-	17,209	32,203
Printing and publications	92	36,403	44,262	80,757	-	14,004	1,549	15,553	96,310
Advertising and development	-	-	545	545	-	140,664	-	140,664	141,209
Postage and shipping	6,923	56	-	6,979	5,554	17,461	65	23,080	30,059
Travel and conferences	7,319	459	7,062	14,840	8,734	19,095	-	27,829	42,669
Repairs and maintenance	60,095	-	-	60,095	1,601	-	-	1,601	61,696
Insurance	-	-	-	-	50,593	-	-	50,593	50,593
Interest and bank charges	-	-	-	-	234,487	16,229	-	250,716	250,716
Depreciation and amortization	556,429	-	-	556,429	184,867	-	-	184,867	741,296
Contract services	245,772	44,105	49,812	339,689	140,607	116,479	1,850	258,936	598,625
Bad debt	-	-	-	-	-	66,090	-	66,090	66,090
Miscellaneous	4,155	-	1,760	5,915	1,542	20,404	-	21,946	27,861
Total functional expenses	\$ 1,590,958	\$ 760,316	\$ 172,805	\$ 2,524,079	\$ 923,057	\$ 1,014,103	\$ 3,692	\$ 1,940,852	\$ 4,464,931

Michiana Public Broadcasting Corporation

Consolidated Statement of Functional Expenses Year Ended September 30, 2013

	Program Services				Support Services					Total
	Broadcasting	Programming and Education	Promotion	Total Program Services	Management and General	Membership Development	Special Events and Other	Total Support Services		
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	\$ 1,552,252	\$ 723,621	\$ 169,846	\$ 2,445,719	\$ 936,046	\$ 890,471	\$ 440	\$ 1,826,957	\$ 4,272,676	