

# **Michiana Public Broadcasting Corporation**

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**Consolidated Financial Report  
with Additional Information  
September 30, 2016**

# 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, 2016 and 2015 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, 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.

*Plante & Moran, PLLC*

November 21, 2016

# Michiana Public Broadcasting Corporation

## Consolidated Statement of Financial Position

|  | September 30,<br>2016 | September 30,<br>2015 |
|--|-----------------------|-----------------------|
| <b>Assets</b>  |                       |                       |
| Cash   | \$ 19,600             | \$ 138,246            |
| Underwriting receivable - Less allowance for doubtful receivables<br>of \$10,660 in 2016 and \$11,160 in 2015    | 89,433                | 103,074               |
| Grant and other receivables - Less allowance for doubtful receivables<br>of \$9,579 in 2016 and \$30,102 in 2015 | 357,778               | 102,013               |
| Program contract rights  | 488,448               | 481,464               |
| Note receivable (Note 3)   | 9,127,385             | 9,127,385             |
| Other assets   | 67,377                | 100,883               |
| Restricted cash  | 22,128                | 71,200                |
| Debt issuance costs - Net  | 277,901               | 289,561               |
| Property and equipment - Net (Note 4)  | 6,824,660             | 7,479,766             |
| Total assets   | <u>\$ 17,274,710</u>  | <u>\$ 17,893,592</u>  |
| <b>Liabilities and Net Assets</b>  |                       |                       |
| <b>Liabilities</b>   |                       |                       |
| Accounts payable   | \$ 222,211            | \$ 42,952             |
| Bank line of credit (Note 5)   | 88,750                | -                     |
| Deferred revenue   | 97,767                | 215,830               |
| Deferred gain on sale-leaseback transaction (Note 7)   | 578,867               | 612,752               |
| Accrued compensation   | 61,450                | 61,739                |
| Program contract rights payable  | 636,264               | 627,049               |
| Long-term debt (Note 6)  | 11,760,000            | 11,760,000            |
| Capital lease obligation (Note 7)  | 1,376,234             | 1,402,717             |
| Total liabilities  | 14,821,543            | 14,723,039            |
| <b>Net Assets</b>  |                       |                       |
| Unrestricted   | 2,194,231             | 2,919,041             |
| Temporarily restricted   | 258,936               | 251,512               |
| Total net assets   | <u>2,453,167</u>      | <u>3,170,553</u>      |
| Total liabilities and net assets   | <u>\$ 17,274,710</u>  | <u>\$ 17,893,592</u>  |

# Michiana Public Broadcasting Corporation

## Consolidated Statement of Activities and Changes in Net Assets

|   | Year Ended            |                       |
|---|-----------------------|-----------------------|
|   | September 30,<br>2016 | September 30,<br>2015 |
| <b>Changes in Unrestricted Net Assets</b>   |                       |                       |
| Revenue and support:  |                       |                       |
| Contributions and support, including in-kind contributions of<br>\$1,718 and \$3,182 in 2016 and 2015, respectively | \$ 122,443            | \$ 53,111             |
| Corporation for Public Broadcasting grants (Note 2)   | 815,580               | 801,373               |
| State grants  | 435,443               | 425,443               |
| Member income   | 864,205               | 879,071               |
| Program underwriting, including in-kind revenue of \$215,425 and<br>\$167,500 in 2016 and 2015, respectively        | 902,249               | 949,927               |
| Special events  | -                     | 31,991                |
| Interest income   | 91,273                | 91,274                |
| Other income  | 361,587               | 200,687               |
|   | <u>3,592,780</u>      | <u>3,432,877</u>      |
| Net assets released from restrictions   | 42,576                | 56,076                |
|   | <u>3,635,356</u>      | <u>3,488,953</u>      |
| Total revenue, support, and net assets added to or<br>released from restrictions                                    |                       |                       |
| Expenses:   |                       |                       |
| Program services:   |                       |                       |
| Broadcasting  | 1,588,637             | 1,444,987             |
| Programming and education   | 761,227               | 758,203               |
| Promotion   | 179,983               | 184,546               |
|   | <u>2,529,847</u>      | <u>2,387,736</u>      |
| Support services:   |                       |                       |
| Management and general  | 926,387               | 906,577               |
| Membership development  | 937,817               | 951,803               |
| Special events and other  | -                     | 1,222                 |
|   | <u>1,864,204</u>      | <u>1,859,602</u>      |
| Total support services  |                       |                       |
| Total expenses  | <u>4,394,051</u>      | <u>4,247,338</u>      |
| <b>Loss from Operating Activities</b>   | (758,695)             | (758,385)             |
| <b>Amortization of Deferred Gain (Note 7)</b>   | 33,885                | 30,593                |
| <b>Decrease in Unrestricted Net Assets</b>  | (724,810)             | (727,792)             |
| <b>Changes in Temporarily Restricted Net Assets</b>   |                       |                       |
| Contributions   | 50,000                | -                     |
| Net assets released from restrictions   | (42,576)              | (56,076)              |
|   | <u>7,424</u>          | <u>(56,076)</u>       |
| <b>Increase (Decrease) in Temporarily Restricted Net Assets</b>   |                       |                       |
| <b>Decrease in Net Assets</b>   | (717,386)             | (783,868)             |
| <b>Net Assets - Beginning of year</b>   | 3,170,553             | 3,954,421             |
| <b>Net Assets - End of year</b>   | <u>\$ 2,453,167</u>   | <u>\$ 3,170,553</u>   |

# Michiana Public Broadcasting Corporation

## Consolidated Statement of Cash Flows

|  | Year Ended            |                       |
|--|-----------------------|-----------------------|
|  | September 30,<br>2016 | September 30,<br>2015 |
| <b>Cash Flows from Operating Activities</b>  |                       |                       |
| Decrease in net assets   | \$ (717,386)          | \$ (783,868)          |
| Adjustments to reconcile decrease in net assets to net cash from operating activities: |                       |                       |
| Depreciation   | 683,491               | 704,489               |
| Bad debt expense   | 45,496                | 85,784                |
| Amortization of program contract rights  | 655,024               | 653,227               |
| Amortization of deferred gain  | (33,885)              | (30,593)              |
| Amortization of debt costs   | 11,660                | 11,660                |
| Changes in operating assets and liabilities which provided (used) cash:                |                       |                       |
| Underwriting receivables   | 5,836                 | (52,736)              |
| Grants and other receivables   | (293,456)             | 188,489               |
| Program contract rights  | (652,793)             | (664,279)             |
| Other assets   | 33,506                | (14,337)              |
| Accounts payable   | 179,259               | (58,429)              |
| Deferred revenue   | (118,063)             | (13,810)              |
| Accrued liabilities and other  | (289)                 | (4,152)               |
| Net cash (used in) provided by operating activities                                    | (201,600)             | 21,445                |
| <b>Cash Flows from Investing Activities</b>  |                       |                       |
| Restricted cash  | 49,072                | 65,429                |
| Purchase of property and equipment   | (28,385)              | (1,265)               |
| Net cash provided by investing activities  | 20,687                | 64,164                |
| <b>Cash Flows from Financing Activities</b>  |                       |                       |
| Payments on bank debt  | (63,665)              | -                     |
| Proceeds from bank debt  | 63,665                | -                     |
| Proceeds from bank line of credit, net of repayments                                   | 88,750                | -                     |
| Payments on capital lease  | (26,483)              | (25,194)              |
| Net cash provided by (used in) financing activities                                    | 62,267                | (25,194)              |
| <b>Net (Decrease) Increase in Cash</b>   | (118,646)             | 60,415                |
| <b>Cash - Beginning of year</b>  | 138,246               | 77,831                |
| <b>Cash - End of year</b>  | <u>\$ 19,600</u>      | <u>\$ 138,246</u>     |
| <b>Supplemental Disclosure of Cash Flow Information - Cash paid for interest</b>       | <u>\$ 170,472</u>     | <u>\$ 169,988</u>     |

# Michiana Public Broadcasting Corporation

## Notes to Consolidated Financial Statements September 30, 2016 and 2015

### 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 (PBS) 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, 2016 and 2015. 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. The September 30, 2016 and 2015 temporarily restricted net asset balance consists of \$208,936 and \$251,512, respectively, related to grant-acquired equipment. In addition, for the year ended September 30, 2016, an additional \$50,000 contribution was restricted for equipment.

**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

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## Notes to Consolidated Financial Statements September 30, 2016 and 2015

### **Note 1 - 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.

**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 \$71,904 and \$60,244 at September 30, 2016 and 2015, respectively, and amortization expense charged to operations in 2016 and 2015 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.

**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.

# Michiana Public Broadcasting Corporation

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## Notes to Consolidated Financial Statements September 30, 2016 and 2015

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

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 \$117,298 and \$140,274 at September 30, 2016 and 2015, 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

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## Notes to Consolidated Financial Statements September 30, 2016 and 2015

### **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, 2016 and 2015, 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, 2013.

**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 21, 2016, which is the date the consolidated financial statements were available to be issued.

**Upcoming Accounting Pronouncements** - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs* in April 2015. ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The new standard is effective for the Corporation's year ending September 30, 2017 and thereafter and must be applied on a retrospective basis. The impact of this standard will be a reclassification of debt issuance costs - net to long-term debt on the consolidated statement of financial position.

# Michiana Public Broadcasting Corporation

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## Notes to Consolidated Financial Statements September 30, 2016 and 2015

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

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Corporation's year ending September 30, 2019 and thereafter and must be applied on a retrospective basis. The Corporation is currently evaluating the impact this standard will have on the consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Corporation has not yet determined which application method it will use or the potential effects of the new standard on the consolidated financial statements, if any.

**Upcoming Accounting Change** - In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

# Michiana Public Broadcasting Corporation

## Notes to Consolidated Financial Statements September 30, 2016 and 2015

### Note 2 - Corporation for Public Broadcasting Grants

The Corporation was awarded community service grants from the Corporation for Public Broadcasting (CPB) of \$770,073 and \$786,693 during the years ended September 30, 2016 and 2015, respectively, to finance normal programming and promotion expenses. The grant amounts were based upon nonfederal financial support of \$2,130,253 and \$2,204,566 recorded by the Corporation for the years ended September 30, 2014 and 2013, respectively.

In fiscal year 2017, the community service grant will be \$750,014 based on nonfederal financial support of \$2,179,352 recorded during fiscal year 2015. Nonfederal financial support for the year ended September 30, 2016 will be the basis for the fiscal year 2018 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 \$45,507 and \$14,680 for the years ended September 30, 2016 and 2015, respectively. In fiscal year 2017, the Corporation is anticipating being awarded universal service support grant from the CPB of approximately \$60,000.

### 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:

|                                | 2016                | 2015                |
|--------------------------------|---------------------|---------------------|
| Land                           | \$ 211,493          | \$ 211,493          |
| Buildings                      | 4,519,940           | 4,512,575           |
| Office equipment               | 349,191             | 330,835             |
| Studio and technical equipment | 6,742,011           | 6,739,347           |
| Transmitter plant              | 842,014             | 842,014             |
| DTV conversion equipment       | 571,893             | 571,893             |
| Equipment under capital lease  | 1,449,568           | 1,449,568           |
| Total cost                     | 14,686,110          | 14,657,725          |
| Accumulated depreciation       | (7,861,450)         | (7,177,959)         |
| Net carrying amount            | <u>\$ 6,824,660</u> | <u>\$ 7,479,766</u> |

# Michiana Public Broadcasting Corporation

## Notes to Consolidated Financial Statements September 30, 2016 and 2015

### Note 4 - Property and Equipment (Continued)

Depreciation expense was \$683,491 for 2016 and \$704,489 for 2015.

During November 2013, 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). Depreciation expense on the leased equipment was \$72,478 for 2016 and 2015.

### Note 5 - Bank Line of Credit and Term Loan

The Corporation has a line of credit allowing the Corporation to borrow up to \$300,000. The line of credit is collateralized by substantially all assets of the Corporation and matures on January 15, 2017. 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, 2016 and 2015). There was an outstanding balance on the line of credit of \$88,750 and \$0 as of September 30, 2016 and 2015, respectively.

In May 2016, the Corporation opened a term loan with a financial institution for \$63,665. Interest was payable monthly at 1.0 percent above the prime rate with a minimum interest rate of 5.00 percent. The term loan was paid in full in August 2016.

Interest expense was approximately \$6,200 and \$2,800 for the years ended September 30, 2016 and 2015, respectively.

### Note 6 - Long-term Debt

Long-term debt at September 30 is as follows:

|  | <u>2016</u>          | <u>2015</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 | <u>2,632,615</u>     | <u>2,632,615</u>     |
| Total  | <u>\$ 11,760,000</u> | <u>\$ 11,760,000</u> |

# Michiana Public Broadcasting Corporation

## Notes to Consolidated Financial Statements September 30, 2016 and 2015

### Note 6 - Long-term Debt (Continued)

The balance of the above debt matures as follows:

|            |    |                   |
|------------|----|-------------------|
| 2017       | \$ | 54,999            |
| 2018       |    | 110,480           |
| 2019       |    | 222,703           |
| 2020       |    | 225,828           |
| 2021       |    | 228,999           |
| Thereafter |    | <u>10,916,991</u> |
| Total      | \$ | <u>11,760,000</u> |

The long-term debt of Real Estate, LLC (the "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, 2016 and 2015 was approximately \$165,000 for each year.

# Michiana Public Broadcasting Corporation

## Notes to Consolidated Financial Statements September 30, 2016 and 2015

### 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<br/>September 30</u>           | <u>Amount</u>       |
|--|---------------------|
| 2017   | \$ 96,000           |
| 2018   | 96,000              |
| 2019   | 109,237             |
| 2020   | 110,440             |
| 2021   | 110,440             |
| Thereafter                                     | <u>1,595,333</u>    |
| Total minimum lease payments                   | 2,117,450           |
| Less amount representing interest              | <u>741,216</u>      |
| Present value of net minimum<br>lease payments | <u>\$ 1,376,234</u> |

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

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 years ended September 30, 2016 and 2015 is \$578,867 and \$612,752, respectively. The Corporation recognized gains of approximately \$34,000 and \$31,000 during 2016 and 2015, respectively, which are reported within the consolidated statement of activities and changes in net assets.

### Note 8 - 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 \$19,297 and \$18,094 for the years ended September 30, 2016 and 2015, respectively.



# **Michiana Public Broadcasting Corporation**

## **Notes to Consolidated Financial Statements September 30, 2016 and 2015**

### **Note 9 - 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 value of these funds is approximately \$285,000 and \$281,000 at September 30, 2016 and 2015, 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, 2016 and 2015 and is recorded as other assets on the consolidated statement of financial position.

### **Note 10 - Broadcast Spectrum Incentive Auction**

To address the needs for additional electronic spectrum to meet the growing broadband demand in this country, the Federal Communications Commission (FCC) plans to re-purpose spectrum currently used for television broadcasting in the UHF band to wireless communication companies. This transfer will be accomplished by a process known as the FCC Broadcast Spectrum Incentive Auction (the "Auction"). UHF television stations, of which WNIT is one, are being offered a cash incentive to relinquish their spectrum in a reverse-auction process. Stations have four options for this auction.

- 1) Do nothing by not participating in the Auction and have its spectrum frequency potentially shifted to another frequency;
- 2) Participate in the auction and if successful, leave the broadcasting business;
- 3) Switch to the VHF band of frequencies;
- 4) Share a frequency with another station.

As part of the MPBC board of directors' fiduciary responsibility, each option was explored and measured against the mission of the Corporation. Applications for the Auction opened on December 8, 2015 and closed January 12, 2016. The MPBC board of directors elected to have the Corporation participate in the Auction. Actual bidding began May 31, 2016, continued through fiscal year 2016, and will continue into fiscal year 2017. A committee of board members meets regularly to monitor the progress of the Auction, reassess strategy, direct management, and keep the board informed.

# **Michiana Public Broadcasting Corporation**

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## **Notes to Consolidated Financial Statements September 30, 2016 and 2015**

### **Note 10 - Broadcast Spectrum Incentive Auction (Continued)**

During 2016, certain consultants and other professionals were utilized to provide guidance. These expenditures will continue into 2017 at a much lower level. Due to federal regulations, the Corporation's manner of participation and strategy cannot be publicly revealed until the FCC officially closes the Auction, which is now anticipated to occur in late 2016 or first quarter 2017.

## **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, 2016 and 2015 and have issued our report thereon dated November 21, 2016, 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 audits 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 21, 2016

# Michiana Public Broadcasting Corporation

## Consolidating Statement of Financial Position September 30, 2016

|  | MPBC                | MPBC Real<br>Estate, LLC | Eliminating<br>Entries | Total                |
|--|---------------------|--------------------------|------------------------|----------------------|
| <b>Assets</b>  |                     |                          |                        |                      |
| Cash   | \$ 15,475           | \$ 4,125                 | \$ -                   | \$ 19,600            |
| Underwriting receivable - Less allowance<br>for doubtful receivables of \$10,660       | 89,433              | -                        | -                      | 89,433               |
| Grant and other receivables - Less<br>allowance for doubtful receivables of<br>\$9,579 | 357,778             | -                        | -                      | 357,778              |
| Program contract rights  | 488,448             | -                        | -                      | 488,448              |
| Note receivable  | 9,152,385           | -                        | (25,000)               | 9,127,385            |
| Other assets   | 84,555              | 41,697                   | (58,875)               | 67,377               |
| Restricted cash  | -                   | 22,128                   | -                      | 22,128               |
| Debt issuance costs - Net  | -                   | 277,901                  | -                      | 277,901              |
| Property and equipment - Net   | 1,807,162           | 5,017,498                | -                      | 6,824,660            |
| Investment in real estate  | (6,463,526)         | -                        | 6,463,526              | -                    |
|  | <u>\$ 5,531,710</u> | <u>\$ 5,363,349</u>      | <u>\$ 6,379,651</u>    | <u>\$ 17,274,710</u> |
| <b>Liabilities and Net Assets</b>  |                     |                          |                        |                      |
| <b>Liabilities</b>   |                     |                          |                        |                      |
| Accounts payable   | \$ 222,211          | \$ -                     | \$ -                   | \$ 222,211           |
| Bank line of credit  | 88,750              | -                        | -                      | 88,750               |
| Deferred revenue   | 114,767             | 41,875                   | (58,875)               | 97,767               |
| Deferred gain on sale-leaseback<br>transaction   | 578,867             | -                        | -                      | 578,867              |
| Accrued compensation   | 61,450              | -                        | -                      | 61,450               |
| Program contract rights payable  | 636,264             | -                        | -                      | 636,264              |
| Long-term debt   | -                   | 11,785,000               | (25,000)               | 11,760,000           |
| Capital lease obligation   | 1,376,234           | -                        | -                      | 1,376,234            |
|  | <u>3,078,543</u>    | <u>11,826,875</u>        | <u>(83,875)</u>        | <u>14,821,543</u>    |
| <b>Net Assets (Deficit)</b>  |                     |                          |                        |                      |
| Members' capital   | -                   | (6,463,526)              | 6,463,526              | -                    |
| Unrestricted   | 2,194,231           | -                        | -                      | 2,194,231            |
| Temporarily restricted   | 258,936             | -                        | -                      | 258,936              |
|  | <u>2,453,167</u>    | <u>(6,463,526)</u>       | <u>6,463,526</u>       | <u>2,453,167</u>     |
| Total net assets (deficit)   | <u>2,453,167</u>    | <u>(6,463,526)</u>       | <u>6,463,526</u>       | <u>2,453,167</u>     |
| Total liabilities and net<br>assets (deficit)  | <u>\$ 5,531,710</u> | <u>\$ 5,363,349</u>      | <u>\$ 6,379,651</u>    | <u>\$ 17,274,710</u> |

# Michiana Public Broadcasting Corporation

## Consolidating Statement of Financial Position September 30, 2015

|   | MPBC                | MPBC Real<br>Estate, LLC | Eliminating<br>Entries | Total                |
|---|---------------------|--------------------------|------------------------|----------------------|
| <b>Assets</b>   |                     |                          |                        |                      |
| Cash  | \$ 93,137           | \$ 45,109                | \$ -                   | \$ 138,246           |
| Underwriting receivable - Less allowance<br>for doubtful receivables of \$11,160        | 103,074             | -                        | -                      | 103,074              |
| Grant and other receivables - Less<br>allowance for doubtful receivables of<br>\$30,102 | 102,013             | -                        | -                      | 102,013              |
| Program contract rights   | 481,464             | -                        | -                      | 481,464              |
| Note receivable   | 9,152,385           | -                        | (25,000)               | 9,127,385            |
| Other assets  | 126,391             | 16,367                   | (41,875)               | 100,883              |
| Restricted cash   | -                   | 71,200                   | -                      | 71,200               |
| Debt issuance costs - Net   | -                   | 289,561                  | -                      | 289,561              |
| Property and equipment - Net  | 1,994,127           | 5,485,639                | -                      | 7,479,766            |
| Investment in real estate   | (5,918,999)         | -                        | 5,918,999              | -                    |
|   | <u>\$ 6,133,592</u> | <u>\$ 5,907,876</u>      | <u>\$ 5,852,124</u>    | <u>\$ 17,893,592</u> |
| <b>Liabilities and Net Assets</b>   |                     |                          |                        |                      |
| <b>Liabilities</b>  |                     |                          |                        |                      |
| Accounts payable  | \$ 42,952           | \$ -                     | \$ -                   | \$ 42,952            |
| Deferred revenue  | 215,830             | 41,875                   | (41,875)               | 215,830              |
| Deferred gain on sale-leaseback<br>transaction  | 612,752             | -                        | -                      | 612,752              |
| Accrued compensation  | 61,739              | -                        | -                      | 61,739               |
| Program contract rights payable   | 627,049             | -                        | -                      | 627,049              |
| Long-term debt  | -                   | 11,785,000               | (25,000)               | 11,760,000           |
| Capital lease obligation  | 1,402,717           | -                        | -                      | 1,402,717            |
|   | <u>2,963,039</u>    | <u>11,826,875</u>        | <u>(66,875)</u>        | <u>14,723,039</u>    |
| <b>Net Assets (Deficit)</b>   |                     |                          |                        |                      |
| Members' capital  | -                   | (5,918,999)              | 5,918,999              | -                    |
| Unrestricted  | 2,919,041           | -                        | -                      | 2,919,041            |
| Temporarily restricted  | 251,512             | -                        | -                      | 251,512              |
|   | <u>3,170,553</u>    | <u>(5,918,999)</u>       | <u>5,918,999</u>       | <u>3,170,553</u>     |
| Total net assets (deficit)  | <u>3,170,553</u>    | <u>(5,918,999)</u>       | <u>5,918,999</u>       | <u>3,170,553</u>     |
| Total liabilities and net<br>assets (deficit)   | <u>\$ 6,133,592</u> | <u>\$ 5,907,876</u>      | <u>\$ 5,852,124</u>    | <u>\$ 17,893,592</u> |

# Michiana Public Broadcasting Corporation

## Consolidating Statement of Activities and Changes in Net Assets (Deficit) Year Ended September 30, 2016

|   | MPBC                | MPBC Real<br>Estate, LLC | Eliminating<br>Entries | Total               |
|---|---------------------|--------------------------|------------------------|---------------------|
| <b>Changes in Unrestricted Net Assets</b>                             |                     |                          |                        |                     |
| Revenue and support:  |                     |                          |                        |                     |
| Contributions and support, including in-kind contributions of \$1,718 | \$ 122,443          | \$ -                     | \$ -                   | \$ 122,443          |
| Corporation for Public Broadcasting grants                            | 815,580             | -                        | -                      | 815,580             |
| State grants  | 435,443             | -                        | -                      | 435,443             |
| Member income   | 864,205             | -                        | -                      | 864,205             |
| Program underwriting, including in-kind revenue of \$215,425          | 902,249             | -                        | -                      | 902,249             |
| Interest income   | 91,273              | -                        | -                      | 91,273              |
| Rental income   | -                   | 167,500                  | (167,500)              | -                   |
| Other income  | (114,940)           | -                        | 476,527                | 361,587             |
|   | <u>3,116,253</u>    | <u>167,500</u>           | <u>309,027</u>         | <u>3,592,780</u>    |
| Total revenue and support   |                     |                          |                        |                     |
| Net assets added to restrictions                                      | <u>42,576</u>       | <u>-</u>                 | <u>-</u>               | <u>42,576</u>       |
|   |                     |                          |                        |                     |
| Total revenue, support, and net assets added to restrictions          | 3,158,829           | 167,500                  | 309,027                | 3,635,356           |
| Expenses:   |                     |                          |                        |                     |
| Program services:   |                     |                          |                        |                     |
| Broadcasting  | 1,273,582           | 315,055                  | -                      | 1,588,637           |
| Programming and education   | 761,227             | -                        | -                      | 761,227             |
| Promotion   | 179,983             | -                        | -                      | 179,983             |
|   | <u>2,214,792</u>    | <u>315,055</u>           | <u>-</u>               | <u>2,529,847</u>    |
| Total program services  |                     |                          |                        |                     |
| Support services:   |                     |                          |                        |                     |
| Management and general  | 764,915             | 328,972                  | (167,500)              | 926,387             |
| Membership development  | 937,817             | -                        | -                      | 937,817             |
|   | <u>1,702,732</u>    | <u>328,972</u>           | <u>(167,500)</u>       | <u>1,864,204</u>    |
| Total support services  |                     |                          |                        |                     |
| Total expenses  | 3,917,524           | 644,027                  | (167,500)              | 4,394,051           |
| <b>Amortization of Deferred Gain</b>                                  | <u>33,885</u>       | <u>-</u>                 | <u>-</u>               | <u>33,885</u>       |
| <b>Decrease in Unrestricted Net Assets</b>                            | <u>(724,810)</u>    | <u>(476,527)</u>         | <u>476,527</u>         | <u>(724,810)</u>    |
| <b>Changes in Temporarily Restricted Net Assets</b>                   |                     |                          |                        |                     |
| Contributions   | 50,000              | -                        | -                      | 50,000              |
| Net assets added to restrictions                                      | (42,576)            | -                        | -                      | (42,576)            |
|   | <u>7,424</u>        | <u>-</u>                 | <u>-</u>               | <u>7,424</u>        |
| <b>Increase in Temporarily Restricted Net Assets</b>                  |                     |                          |                        |                     |
| <b>Changes in Members' Capital - Distributions</b>                    | <u>-</u>            | <u>(68,000)</u>          | <u>68,000</u>          | <u>-</u>            |
| <b>Decrease in Net Assets</b>   | <u>(717,386)</u>    | <u>(544,527)</u>         | <u>544,527</u>         | <u>(717,386)</u>    |
| <b>Net Assets (Deficit) - Beginning of year</b>                       | <u>3,170,553</u>    | <u>(5,918,999)</u>       | <u>5,918,999</u>       | <u>3,170,553</u>    |
| <b>Net Assets (Deficit) - End of year</b>                             | <u>\$ 2,453,167</u> | <u>\$ (6,463,526)</u>    | <u>\$ 6,463,526</u>    | <u>\$ 2,453,167</u> |

# Michiana Public Broadcasting Corporation

## Consolidating Statement of Activities and Changes in Net Assets (Deficit) Year Ended September 30, 2015

|  | MPBC                | MPBC Real<br>Estate, LLC | Eliminating<br>Entries | Total               |
|--|---------------------|--------------------------|------------------------|---------------------|
| <b>Changes in Unrestricted Net Assets</b>                                |                     |                          |                        |                     |
| Revenue and support:   |                     |                          |                        |                     |
| Contributions and support, including in-kind contributions of \$3,182    | \$ 53,111           | \$ -                     | \$ -                   | \$ 53,111           |
| Corporation for Public Broadcasting grants                               | 801,373             | -                        | -                      | 801,373             |
| State grants   | 425,443             | -                        | -                      | 425,443             |
| Member income  | 879,071             | -                        | -                      | 879,071             |
| Program underwriting, including in-kind revenue of \$167,500             | 949,927             | -                        | -                      | 949,927             |
| Special event revenue  | 31,991              | -                        | -                      | 31,991              |
| Interest income  | 91,274              | -                        | -                      | 91,274              |
| Rental income  | -                   | 167,500                  | (167,500)              | -                   |
| Other income   | (298,055)           | -                        | 498,742                | 200,687             |
| <b>Total revenue and support</b>   | <b>2,934,135</b>    | <b>167,500</b>           | <b>331,242</b>         | <b>3,432,877</b>    |
| Net assets released from restrictions                                    | 56,076              | -                        | -                      | 56,076              |
| <b>Total revenue, support, and net assets released from restrictions</b> | <b>2,990,211</b>    | <b>167,500</b>           | <b>331,242</b>         | <b>3,488,953</b>    |
| Expenses:  |                     |                          |                        |                     |
| Program services:  |                     |                          |                        |                     |
| Broadcasting   | 1,107,698           | 337,289                  | -                      | 1,444,987           |
| Programming and education  | 758,203             | -                        | -                      | 758,203             |
| Promotion  | 184,546             | -                        | -                      | 184,546             |
| <b>Total program services</b>  | <b>2,050,447</b>    | <b>337,289</b>           | <b>-</b>               | <b>2,387,736</b>    |
| Support services:  |                     |                          |                        |                     |
| Management and general   | 745,124             | 328,953                  | (167,500)              | 906,577             |
| Membership development   | 951,803             | -                        | -                      | 951,803             |
| Special events and other   | 1,222               | -                        | -                      | 1,222               |
| <b>Total support services</b>  | <b>1,698,149</b>    | <b>328,953</b>           | <b>(167,500)</b>       | <b>1,859,602</b>    |
| <b>Total expenses</b>  | <b>3,748,596</b>    | <b>666,242</b>           | <b>(167,500)</b>       | <b>4,247,338</b>    |
| <b>Amortization of Deferred Gain</b>                                     | <b>30,593</b>       | <b>-</b>                 | <b>-</b>               | <b>30,593</b>       |
| <b>Decrease in Unrestricted Net Assets</b>                               | <b>(727,792)</b>    | <b>(498,742)</b>         | <b>498,742</b>         | <b>(727,792)</b>    |
| <b>Changes in Temporarily Restricted Net Assets -</b>                    |                     |                          |                        |                     |
| Net assets released from restrictions                                    | (56,076)            | -                        | -                      | (56,076)            |
| <b>Decrease in Temporarily Restricted Net Assets</b>                     | <b>(56,076)</b>     | <b>-</b>                 | <b>-</b>               | <b>(56,076)</b>     |
| <b>Changes in Members' Capital - Distributions</b>                       | <b>-</b>            | <b>(68,001)</b>          | <b>68,001</b>          | <b>-</b>            |
| <b>Decrease in Net Assets</b>  | <b>(783,868)</b>    | <b>(566,743)</b>         | <b>566,743</b>         | <b>(783,868)</b>    |
| <b>Net Assets (Deficit) - Beginning of year</b>                          | <b>3,954,421</b>    | <b>(5,352,256)</b>       | <b>5,352,256</b>       | <b>3,954,421</b>    |
| <b>Net Assets (Deficit) - End of year</b>                                | <b>\$ 3,170,553</b> | <b>\$ (5,918,999)</b>    | <b>\$ 5,918,999</b>    | <b>\$ 3,170,553</b> |



# Michiana Public Broadcasting Corporation

## Consolidated Statement of Functional Expenses Year Ended September 30, 2016

|  | Program Services    |                              |                   | Total<br>Program<br>Services | Support Services          |                           |                             | Total Support<br>Services | Total               |
|--|---------------------|------------------------------|-------------------|------------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|---------------------|
|  | Broadcasting        | Programming<br>and Education | Promotion         |                              | Management<br>and General | Membership<br>Development | Special Events<br>and Other |                           |                     |
| Salaries                                       | \$ 420,975          | \$ 30,160                    | \$ 39,633         | \$ 490,768                   | \$ 201,463                | \$ 390,992                | \$ -                        | \$ 592,455                | \$ 1,083,223        |
| Employee benefits                              | 22,034              | 5,053                        | 5,752             | 32,839                       | 8,461                     | 21,045                    | -                           | 29,506                    | 62,345              |
| Retirement                                     | 9,786               | 1,090                        | -                 | 10,876                       | 1,023                     | 7,398                     | -                           | 8,421                     | 19,297              |
| Payroll taxes                                  | 28,766              | 3,659                        | 2,858             | 35,283                       | 14,393                    | 28,002                    | -                           | 42,395                    | 77,678              |
| <b>Total salaries and<br/>related expenses</b> | <b>481,561</b>      | <b>39,962</b>                | <b>48,243</b>     | <b>569,766</b>               | <b>225,340</b>            | <b>447,437</b>            | <b>-</b>                    | <b>672,777</b>            | <b>1,242,543</b>    |
| PBS programming                                | -                   | 625,197                      | -                 | 625,197                      | -                         | -                         | -                           | -                         | 625,197             |
| Other programming                              | -                   | 25,321                       | -                 | 25,321                       | -                         | 83,083                    | -                           | 83,083                    | 108,404             |
| Dues and subscriptions                         | 784                 | -                            | 159               | 943                          | 68,806                    | 99                        | -                           | 68,905                    | 69,848              |
| Telephone and utilities                        | 142,781             | 246                          | -                 | 143,027                      | 12,484                    | 2,275                     | -                           | 14,759                    | 157,786             |
| Materials and supplies                         | 15,150              | 546                          | 187               | 15,883                       | 4,444                     | 8,529                     | -                           | 12,973                    | 28,856              |
| Lease  | 525                 | -                            | -                 | 525                          | -                         | -                         | -                           | -                         | 525                 |
| Printing and publications                      | -                   | 27,738                       | 38,541            | 66,279                       | 48                        | 18,637                    | -                           | 18,685                    | 84,964              |
| Advertising and development                    | -                   | -                            | 629               | 629                          | -                         | 219,180                   | -                           | 219,180                   | 219,809             |
| Postage and shipping                           | 2,602               | 40                           | -                 | 2,642                        | 6,859                     | 13,582                    | -                           | 20,441                    | 23,083              |
| Travel and conferences                         | 1,557               | -                            | 7,309             | 8,866                        | 7,866                     | 14,284                    | -                           | 22,150                    | 31,016              |
| Repairs and maintenance                        | 68,680              | -                            | -                 | 68,680                       | -                         | -                         | -                           | -                         | 68,680              |
| Insurance                                      | -                   | -                            | -                 | -                            | 48,157                    | -                         | -                           | 48,157                    | 48,157              |
| Interest and bank charges                      | -                   | -                            | -                 | -                            | 241,220                   | 23,894                    | -                           | 265,114                   | 265,114             |
| Depreciation and amortization                  | 518,656             | -                            | -                 | 518,656                      | 176,495                   | -                         | -                           | 176,495                   | 695,151             |
| Contract services                              | 346,158             | 42,177                       | 84,915            | 473,250                      | 132,756                   | 45,420                    | -                           | 178,176                   | 651,426             |
| Bad debt                                       | -                   | -                            | -                 | -                            | -                         | 45,496                    | -                           | 45,496                    | 45,496              |
| Miscellaneous                                  | 10,183              | -                            | -                 | 10,183                       | 1,912                     | 15,901                    | -                           | 17,813                    | 27,996              |
| <b>Total functional<br/>expenses</b>           | <b>\$ 1,588,637</b> | <b>\$ 761,227</b>            | <b>\$ 179,983</b> | <b>\$ 2,529,847</b>          | <b>\$ 926,387</b>         | <b>\$ 937,817</b>         | <b>\$ -</b>                 | <b>\$ 1,864,204</b>       | <b>\$ 4,394,051</b> |

# Michiana Public Broadcasting Corporation

## Consolidated Statement of Functional Expenses Year Ended September 30, 2015

|  | 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                                   | \$ 422,741          | \$ 29,357                 | \$ 41,353         | \$ 493,451             | \$ 200,388             | \$ 330,664             | \$ -                     | \$ 531,052             | \$ 1,024,503        |
| Employee benefits                          | 19,601              | 4,640                     | 4,442             | 28,683                 | 6,492                  | 23,559                 | -                        | 30,051                 | 58,734              |
| Retirement                                 | 8,212               | 1,276                     | -                 | 9,488                  | 1,038                  | 7,568                  | -                        | 8,606                  | 18,094              |
| Payroll taxes                              | 30,602              | 2,247                     | 2,358             | 35,207                 | 14,802                 | 23,510                 | -                        | 38,312                 | 73,519              |
| <b>Total salaries and related expenses</b> | <b>481,156</b>      | <b>37,520</b>             | <b>48,153</b>     | <b>566,829</b>         | <b>222,720</b>         | <b>385,301</b>         | <b>-</b>                 | <b>608,021</b>         | <b>1,174,850</b>    |
| PBS programming                            | -                   | 630,367                   | -                 | 630,367                | -                      | -                      | -                        | -                      | 630,367             |
| Other programming                          | -                   | 16,971                    | -                 | 16,971                 | -                      | 91,536                 | -                        | 91,536                 | 108,507             |
| Dues and subscriptions                     | 776                 | -                         | -                 | 776                    | 71,494                 | 285                    | -                        | 71,779                 | 72,555              |
| Telephone and utilities                    | 142,052             | 190                       | -                 | 142,242                | 9,356                  | 1,764                  | -                        | 11,120                 | 153,362             |
| Materials and supplies                     | 9,794               | 431                       | 43                | 10,268                 | 7,719                  | 26,368                 | 117                      | 34,204                 | 44,472              |
| Lease                                      | 5,619               | -                         | -                 | 5,619                  | -                      | -                      | -                        | -                      | 5,619               |
| Printing and publications                  | 22                  | 28,818                    | 39,028            | 67,868                 | -                      | 19,830                 | -                        | 19,830                 | 87,698              |
| Advertising and development                | 1,797               | -                         | 523               | 2,320                  | -                      | 167,744                | -                        | 167,744                | 170,064             |
| Postage and shipping                       | 4,100               | 55                        | -                 | 4,155                  | 3,318                  | 13,600                 | 460                      | 17,378                 | 21,533              |
| Travel and conferences                     | 1,650               | 162                       | 11,834            | 13,646                 | 8,862                  | 14,878                 | -                        | 23,740                 | 37,386              |
| Repairs and maintenance                    | 67,948              | -                         | -                 | 67,948                 | -                      | -                      | -                        | -                      | 67,948              |
| Insurance                                  | -                   | -                         | -                 | -                      | 51,599                 | -                      | -                        | 51,599                 | 51,599              |
| Interest and bank charges                  | -                   | -                         | -                 | -                      | 241,726                | 16,322                 | -                        | 258,048                | 258,048             |
| Depreciation and amortization              | 543,384             | -                         | -                 | 543,384                | 172,765                | -                      | -                        | 172,765                | 716,149             |
| Contract services                          | 180,055             | 43,689                    | 84,965            | 308,709                | 115,547                | 99,664                 | 645                      | 215,856                | 524,565             |
| Bad debt                                   | 1,500               | -                         | -                 | 1,500                  | -                      | 84,284                 | -                        | 84,284                 | 85,784              |
| Miscellaneous                              | 5,134               | -                         | -                 | 5,134                  | 1,471                  | 30,227                 | -                        | 31,698                 | 36,832              |
| <b>Total functional expenses</b>           | <b>\$ 1,444,987</b> | <b>\$ 758,203</b>         | <b>\$ 184,546</b> | <b>\$ 2,387,736</b>    | <b>\$ 906,577</b>      | <b>\$ 951,803</b>      | <b>\$ 1,222</b>          | <b>\$ 1,859,602</b>    | <b>\$ 4,247,338</b> |