

Financial Statements

**FORT WAYNE PUBLIC TELEVISION, INC.**

*Years ended September 30, 2014 and 2013  
with Independent Auditor's Report*

Fort Wayne Public Television, Inc.

Financial Statements

Years ended September 30, 2014 and 2013

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## Independent Auditor's Report

The Board of Directors  
Fort Wayne Public Television, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Fort Wayne Public Television, Inc. which comprise the statement of financial position as of September 30, 2014 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Public Television, Inc. as of September 30, 2014, and the results of their operations, changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter—September 30, 2013 Financial Statements**

The financial statements of Fort Wayne Public Television, Inc. for the year ended September 30, 2013, were audited by other auditors whose report dated February 27, 2014 expressed an unmodified opinion on those statements.

*Haines, Lumbarger & Skiba, LLC*

December 11, 2014

Fort Wayne Public Television, Inc.

Statements of Financial Position

	September 30	
	2014	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 896,817	\$ 307,585
Accounts receivable, less allowance of \$500 in 2014 and 2013	91,299	149,743
Current portion of grants and contributions receivable	633,804	451,555
Prepaid expenses	82,747	63,471
Total current assets	1,704,667	972,354
Property and equipment:		
Land	37,497	37,497
Buildings and improvements	3,740,111	3,740,111
Tower, transmitters and other equipment	4,349,020	4,800,564
Office equipment	435,402	470,661
Vehicles	36,551	36,551
	8,598,581	9,085,384
Less accumulated depreciation	5,392,355	5,688,557
	3,206,226	3,396,827
Grants and contributions receivable, less current portion	665,267	281,106
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	15,414	-
Total assets	\$ 5,591,574	\$ 4,650,287
<b>Liabilities and net assets</b>		
Current liabilities:		
Notes payable	\$ -	\$ 100,000
Current portion of long-term debt	47,389	250,865
Current portion of capital lease payable	4,182	-
Accounts payable	50,522	142,601
Accrued expenses	110,885	105,420
Deferred contract revenue	25,687	125,640
Total current liabilities	238,665	724,526
Long-term debt, less current portion	14,716	-
Capital lease payable, less current portion	18,176	-
Total liabilities	271,557	724,526
Net assets:		
Unrestricted	3,529,187	2,924,364
Temporarily restricted	1,777,203	1,001,397
Permanently restricted	13,627	-
Total net assets	5,320,017	3,925,761
Total liabilities and net assets	\$ 5,591,574	\$ 4,650,287

See accompanying notes.

Fort Wayne Public Television, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30						
	2014			2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Changes in net assets</b>							
Support, revenues, and gains:							
Contributions	\$ 689,056	\$ 26,850	\$ 13,627	\$ 729,533	\$ 662,131	\$ 238,358	\$ 900,489
Grants:							
Corporation for Public Broadcasting	723,040	-	-	723,040	701,468	-	701,468
Indiana Department of Education	320,892	-	-	320,892	326,012	-	326,012
Empowering Community Connections	-	1,483,000	-	1,483,000	-	586,050	586,050
Program and production revenue	397,368	-	-	397,368	304,299	-	304,299
Contributed goods and services	150,212	-	-	150,212	132,720	-	132,720
Tower and facility rent	217,708	-	-	217,708	174,271	-	174,271
Change in beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	1,787	-	-	1,787	-	-	-
Other	90,326	-	-	90,326	13,307	-	13,307
Net assets released from restrictions	734,044	(734,044)	-	-	204,875	(204,875)	-
Total support, revenues, and gains	<b>3,324,433</b>	<b>775,806</b>	<b>13,627</b>	<b>4,113,866</b>	<b>2,519,083</b>	<b>619,533</b>	<b>3,138,616</b>
Expenses:							
Program services:							
Broadcast	516,270	-	-	516,270	467,576	-	467,576
Production	473,061	-	-	473,061	443,695	-	443,695
Program information and outreach	129,580	-	-	129,580	82,157	-	82,157
Programming	699,134	-	-	699,134	652,583	-	652,583
Studio 39	7,362	-	-	7,362	10,032	-	10,032
Total program expenses	<b>1,825,407</b>	<b>-</b>	<b>-</b>	<b>1,825,407</b>	<b>1,656,043</b>	<b>-</b>	<b>1,656,043</b>
Fundraising and development	522,367	-	-	522,367	525,442	-	525,442
Management and general	371,836	-	-	371,836	347,167	-	347,167
Total expenses	<b>2,719,610</b>	<b>-</b>	<b>-</b>	<b>2,719,610</b>	<b>2,528,652</b>	<b>-</b>	<b>2,528,652</b>
<b>Increase (decrease) in net assets</b>	<b>604,823</b>	<b>775,806</b>	<b>13,627</b>	<b>1,394,256</b>	<b>(9,569)</b>	<b>619,533</b>	<b>609,964</b>
Net assets at beginning of year	2,924,364	1,001,397	-	3,925,761	2,933,933	381,864	3,315,797
Net assets at end of year	<b>\$ 3,529,187</b>	<b>\$ 1,777,203</b>	<b>\$ 13,627</b>	<b>\$ 5,320,017</b>	<b>\$ 2,924,364</b>	<b>\$ 1,001,397</b>	<b>\$ 3,925,761</b>

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2014

	Program Services					Total Program Services	Support Services		
	Broadcast	Production	Program Information and Outreach	Programming	Studio 39		Fundraising and Development	Management and General	Total
<b>Personnel costs</b>									
Salaries and wages	\$ 140,463	\$ 264,862	\$ 49,147	\$ 76,944	\$ 146	\$ 531,562	\$ 192,099	\$ 205,316	\$ 928,977
Payroll taxes	9,938	19,063	4,167	5,390	(9)	38,549	19,422	16,896	74,867
Insurance—health/life/LTD	9,968	18,975	320	5,910	-	35,173	15,195	14,039	64,407
Commissions	-	32,162	520	29,285	3,845	65,812	7,582	-	73,394
Other	2,932	3,820	416	1,189	12	8,369	8,182	5,586	22,137
	<u>163,301</u>	<u>338,882</u>	<u>54,570</u>	<u>118,718</u>	<u>3,994</u>	<u>679,465</u>	<u>242,480</u>	<u>241,837</u>	<u>1,163,782</u>
<b>Development and fundraising</b>									
Premium supplies	-	-	-	-	-	-	75,350	-	75,350
Credit card processing fees	-	-	-	-	-	-	14,041	-	14,041
Member cards	-	-	-	-	-	-	14,579	-	14,579
Other	-	-	-	-	-	-	28,909	-	28,909
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,879</u>	<u>-</u>	<u>132,879</u>
<b>Facilities and equipment</b>									
Utilities	40,367	24,739	9,747	4,583	-	79,436	12,099	8,448	99,983
Mortgage note interest	1,291	4,090	1,614	753	-	7,748	1,937	1,087	10,772
Leased land	5,746	18,193	7,182	3,352	-	34,473	8,619	4,788	47,880
Leased equipment	36	19	841	17	1	914	2,150	437	3,501
Maintenance	41,457	24,190	11,706	6,876	11	84,240	21,107	9,856	115,203
Other	34,524	6,532	1,253	1,224	-	43,533	1,894	5,365	50,792
	<u>123,421</u>	<u>77,763</u>	<u>32,343</u>	<u>16,805</u>	<u>12</u>	<u>250,344</u>	<u>47,806</u>	<u>29,981</u>	<u>328,131</u>
<b>Production costs</b>	-	1,331	-	-	-	1,331	-	-	1,331
<b>Programming</b>									
PBS National Program Service	-	-	-	471,854	-	471,854	-	-	471,854
Programming—other syndication	-	-	-	40,700	-	40,700	-	-	40,700
	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,554</u>	<u>-</u>	<u>512,554</u>	<u>-</u>	<u>-</u>	<u>512,554</u>
<b>Promotion and outreach</b>	-	-	14,465	-	-	14,465	17,060	-	31,525
<b>General and administrative</b>									
Software maintenance/upgrades	1,508	8,420	1,543	9,968	-	21,439	21,763	1,601	44,803
Membership/dues/subscriptions	-	45	-	25,779	-	25,824	795	38,798	65,417
Liability insurance	410	670	163	215	-	1,458	645	7,758	9,861
Other	9,883	5,764	13,283	8,775	3,356	41,061	40,160	41,770	122,991
	<u>11,801</u>	<u>14,899</u>	<u>14,989</u>	<u>44,737</u>	<u>3,356</u>	<u>89,782</u>	<u>63,363</u>	<u>89,927</u>	<u>243,072</u>
Depreciation	217,747	40,186	13,213	6,320	-	277,466	18,779	10,091	306,336
Total expenses	<u>\$ 516,270</u>	<u>\$ 473,061</u>	<u>\$ 129,580</u>	<u>\$ 699,134</u>	<u>\$ 7,362</u>	<u>\$ 1,825,407</u>	<u>\$ 522,367</u>	<u>\$ 371,836</u>	<u>\$ 2,719,610</u>

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2013

	Program Services					Total Program Services	Support Services		
	Broadcast	Production	Program Information and Outreach	Programming	Studio 39		Fundraising and Development	Management and General	Total
<b>Personnel costs</b>									
Salaries and wages	\$ 144,327	\$ 236,364	\$ 39,364	\$ 70,418	\$ 4,451	\$ 494,924	\$ 187,640	\$ 173,636	\$ 856,200
Payroll taxes	10,564	19,186	3,630	5,767	9	39,156	15,124	13,131	67,411
Insurance—health/life/LTD	11,713	17,280	2,013	5,765	-	36,771	11,369	14,524	62,664
Commissions	-	15,201	-	18,388	3,329	36,918	4,989	-	41,907
Other	3,177	4,999	258	2,637	16	11,087	2,635	2,416	16,138
	169,781	293,030	45,265	102,975	7,805	618,856	221,757	203,707	1,044,320
<b>Development and fundraising</b>									
Pledge programming	-	-	-	-	-	-	30,376	-	30,376
Premium supplies	-	-	-	-	-	-	63,395	-	63,395
Credit card processing fees	-	-	-	-	-	-	31,487	-	31,487
Member cards	-	-	-	-	-	-	9,803	-	9,803
Other	-	-	-	-	-	-	56,470	-	56,470
	-	-	-	-	-	-	191,531	-	191,531
<b>Facilities and equipment</b>									
Utilities	48,080	37,883	5,427	5,248	-	96,638	14,651	8,596	119,885
Mortgage note interest	2,840	7,573	1,082	1,001	-	12,496	2,733	1,530	16,759
Leased land	8,119	21,621	3,102	2,857	-	35,699	7,822	4,359	47,880
Leased equipment	57	53	534	50	-	694	1,582	227	2,503
Maintenance	12,410	11,296	3,854	3,656	83	31,299	19,747	5,725	56,771
Other	36,821	8,671	995	1,122	48	47,657	4,544	2,669	54,870
	108,327	87,097	14,994	13,934	131	224,483	51,079	23,106	298,668
<b>Production costs</b>	-	3,375	-	-	1,576	4,951	-	-	4,951
<b>Programming</b>									
PBS National Program Service	-	-	-	365,208	-	365,208	-	-	365,208
Programming—other syndication	-	-	-	39,285	-	39,285	-	-	39,285
Other	-	-	-	1,507	-	1,507	1,085	-	2,592
	-	-	-	406,000	-	406,000	1,085	-	407,085
<b>Promotion and outreach</b>	-	-	12,899	-	51	12,950	2,781	-	15,731
<b>General and administrative</b>									
Software maintenance/upgrades	2,343	8,503	1,012	7,381	-	19,239	17,522	2,480	39,241
Outsourced and contract labor	-	-	-	-	-	-	-	14,450	14,450
Membership/dues/subscriptions	-	-	-	105,494	-	105,494	981	33,490	139,965
Liability insurance	570	2,204	171	298	-	3,243	904	9,027	13,174
Other	9,635	3,079	1,901	11,228	469	26,312	23,552	51,678	101,542
	12,548	13,786	3,084	124,401	469	154,288	42,959	111,125	308,372
Depreciation	176,920	46,407	5,915	5,273	-	234,515	14,250	9,229	257,994
Total expenses	\$ 467,576	\$ 443,695	\$ 82,157	\$ 652,583	\$ 10,032	\$ 1,656,043	\$ 525,442	\$ 347,167	\$ 2,528,652

See accompanying notes.

Fort Wayne Public Television, Inc.

Statements of Cash Flows

	<b>Year ended September 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities</b>		
Increase in net assets	\$ 1,394,256	\$ 609,964
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	306,336	257,994
Gain on sale of property and equipment	(4,449)	(1,826)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(15,414)	-
Changes in operating assets and liabilities:		
Accounts receivable	58,444	17,290
Prepaid expenses	(19,276)	(3,143)
Grants and contributions receivable	(566,410)	(368,681)
Accounts payable	(92,079)	92,123
Accrued expenses	5,465	1,007
Deferred contract revenue	(99,953)	(18,053)
Net cash provided by operating activities	966,920	586,675
<b>Investing activities</b>		
Proceeds from sale of property and equipment	5,200	10,892
Purchases of property and equipment	(92,465)	(409,716)
Net cash used in investing activities	(87,265)	(398,824)
<b>Financing activities</b>		
Borrowings on notes payable	-	55,000
Repayment of notes payable	(100,000)	-
Proceeds from the issuance of long-term debt	73,508	-
Repayment of long-term debt	(262,268)	(33,848)
Repayment of capital lease payable	(1,663)	-
Net cash provided by (used in) financing activities	(290,423)	21,152
Increase in cash and cash equivalents	589,232	209,003
Cash and cash equivalents at beginning of year	307,585	98,582
Cash and cash equivalents at end of year	\$ 896,817	\$ 307,585
Interest paid	\$ 10,772	\$ 16,759
Non-cash capital lease obligation for new equipment	\$ 24,021	\$ -

*See accompanying notes.*

# Fort Wayne Public Television, Inc.

## Notes to Financial Statements

September 30, 2014

### **1. Organization and Summary of Significant Accounting Policies**

The mission of Fort Wayne Public Television, Inc. (Station) is:

*To provide high quality telecommunications services which enhance the quality of life in the communities we serve through educational, informational, cultural and entertaining programs and services.*

The Station operates a non-commercial public television station known as PBS 39. It is an affiliated member of the nationwide network of public television stations known as the Public Broadcasting Service (PBS).

The Station is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and qualifies for the 50 percent charitable deduction limitation. The Station has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Management believes the Station is no longer subject to examination by taxing authorities for years before September 30, 2011.

#### **Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. All cash and cash equivalents are held at local financial institutions. The Station periodically has cash and cash equivalents in excess of federally insured limits.

#### **Accounts Receivable**

Accounts receivable are stated at the amount billed to underwriters and other supporters. The Station provides an allowance for doubtful accounts for estimated losses in the collection of accounts receivable which is based on an analysis of outstanding receivables, taking into consideration the age of past due accounts, an assessment of the customer's ability to pay and historical collection information. When specific accounts are deemed uncollectible, in whole or in part, such amounts are removed from the accounts although collection efforts may continue.

#### **Costs Incurred for Programs Not Yet Broadcast**

Costs incurred for programs not yet broadcast relate to programs produced and purchased by the Station that will be broadcast in subsequent periods. These costs are included in prepaid expenses and were \$33,112 and \$35,060 at September 30, 2014 and 2013, respectively.

# Fort Wayne Public Television, Inc.

## Notes to Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation, except for property and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired property or equipment assets as of September 30, 2014 or 2013. Items which cost \$1,000 or more and have a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Buildings and improvements	5 – 39 years
Tower, transmitters and other equipment	3 – 30 years
Office equipment	5 – 7 years
Vehicles	5 years

Expenses for normal repairs and maintenance are expensed as incurred.

#### Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. The Station has received certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of the Station pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently but permit the Station to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

## Fort Wayne Public Television, Inc.

### Notes to Financial Statements (continued)

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Contributions and Grants and Contributions Receivable**

Contributions, including gifts, grants, bequests, pledges, and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use. The Station's major sources of recurring operating revenue are the Corporation for Public Broadcasting and the Indiana Department of Education. Revenue from the Corporation for Public Broadcasting was 18 percent of revenue and 22 percent of revenue during the years ended September 30, 2014 and 2013, respectively. Revenue from the Indiana Department of Education was 8 percent of revenue and 10 percent of revenue during the years ended September 30, 2014 and 2013, respectively. Other significant sources of revenue include foundations and individual viewers.

The Station uses the allowance method to determine uncollectible grants and contributions receivable. The allowance for uncollectible receivables is based on historical collection experience and management's analysis of specific receivables.

Contributions of assets other than cash are recorded at their fair market value. Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation.

During the years ended September 30, 2014 and 2013, the fair market value of contributed goods and services recognized as revenue and expense in the accompanying statements of activities and changes in net assets were \$150,212 and \$132,720, respectively.

##### **Program and Production Revenue**

Revenue for program underwriting is recognized on a pro-rata basis over the period the programming is broadcast. The Station utilizes the percentage-of-completion method of accounting for production revenue.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Advertising Expenses**

Advertising costs are charged to operations when incurred. Advertising costs charged to operations were \$25,043 and \$12,001 for the years ended September 30, 2014 and 2013, respectively.

**Functional Allocation of Expenses**

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Reclassifications**

Certain amounts as of and for the year ended September 30, 2013 have been reclassified to conform with the presentation as of and for the year ended September 30, 2014. The reclassifications had no impact on net assets as of September 30, 2013.

**2. Grants and Contributions Receivable**

Unconditional promises to give to the Station are recorded as grants and contributions receivable at the present value of future cash flows. The present value discount rate used was 0.5 percent for the year ended September 30, 2014. The Station's grants and contributions receivable are as follows:

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**2. Grants and Contributions Receivable (continued)**

	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
Amounts due in:		
Less than one year	\$ <b>696,104</b>	\$ 513,855
One to five years	<b>670,940</b>	290,406
Gross grants and contributions receivable	<b>1,367,044</b>	804,261
Less allowance	<b>62,300</b>	62,300
Less discount for present value	<b>5,673</b>	9,300
Net grants and contributions receivable	<b>\$ 1,299,071</b>	\$ 732,661

**3. Beneficial Interest in Funds Held by the  
Community Foundation of Greater Fort Wayne Inc.**

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) of \$15,414 at September 30, 2014 is the result of an agreement whereby the Station has transferred assets to the Community Foundation and has specified itself as the beneficiary of the assets. The beneficial interest in funds held by the Community Foundation is valued at the fair market value of the underlying investments as reported by the Community Foundation at year-end.

Additionally, the Community Foundation holds investment assets with a value of \$10,562 at September 30, 2014 for the benefit of the Station. The Station is precluded from recognizing these assets held by the Community Foundation because the donors explicitly granted variance power to the Community Foundation. Accordingly, the Station only recognizes annual grants by the Community Foundation from these funds as contributions.

**4. Endowment Funds**

ASC 958, *Not-for-Profit Entities*, requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Indiana General Assembly has adopted UPMIFA.

## Fort Wayne Public Television, Inc.

### Notes to Financial Statements (continued)

#### **4. Endowment Funds (continued)**

The Station may hold donor restricted endowment funds where the gift instrument clearly stipulates that it is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede the Station's ability to spend the whole fund. ASC 958 requires the classification of a portion of a donor restricted endowment fund of perpetual duration to be classified as permanently restricted.

The Station's endowment consists of an individual donor-restricted endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Directors of the Station has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Station classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Station considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Station and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of the Station.
- The investment policies of the Station.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**4. Endowment Funds (continued)**

Endowment net asset composition by type of fund as of September 30, 2014 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 1,787	\$ -	\$ 13,627	\$ 15,414

Changes in endowment net assets for the year ended September 30, 2014 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	13,627	13,627
Investment return:				
Investment income, net	532	-	-	532
Realized and unrealized gain on investments, net	1,255	-	-	1,255
Total investment return	1,787	-	-	1,787
Endowment net assets at end of year	\$ 1,787	\$ -	\$ 13,627	\$ 15,414

**5. Debt Arrangements**

Long-term debt consists of a term loan with quarterly payments of \$12,499, including principal and interest at 5.85 percent, due March 15, 2016. Substantially all of the Station's receivables, equipment and certain other assets are pledged as collateral pursuant to the terms of the loan agreement.

Maturities of long-term debt at September 30, 2014 are as follows:

Year ended September 30, 2015	\$ 47,389
Year ended September 30, 2016	14,716
	\$ 62,105

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**5. Debt Arrangements (continued)**

Pursuant to a revolving line of credit arrangement with a bank, the Station may borrow up to \$100,000, subject to certain terms and conditions. The line of credit arrangement is secured by the Station's equipment, receivables and certain other assets and expires on May 1, 2015. Interest is payable monthly at the bank's prime rate plus 0.75 percent but may not be lower than 4.75 percent (4.75 percent at September 30, 2014). There were no borrowings pursuant to this line of credit arrangement at September 30, 2014. Borrowings pursuant to the line of credit arrangement were \$100,000 at September 30, 2013.

**6. Net Assets**

Temporarily restricted net assets are to be used for the following purposes:

	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
Empowering Community Connections	\$ 1,726,311	\$ 565,607
Public Telecommunications Facilities Program	-	337,634
Other	<b>50,892</b>	98,156
	<b><u>\$ 1,777,203</u></b>	<b><u>\$ 1,001,397</u></b>

Temporarily restricted net assets released from donor restrictions of \$734,044 and \$204,875 for the years ended September 30, 2014 and 2013, respectively, were the result of incurring expenses or costs to satisfy the restricted purposes.

**7. Employee Benefit Plan**

The Station maintains a defined contribution benefit plan for the benefit of eligible employees. The plan allows for discretionary employer matching contributions. These contributions were discontinued in February 2009; therefore, the Station recorded no expense for the years ended September 30, 2014 and 2013.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**8. Capital and Operating Leases**

The Station leases land on the campus of Indiana University-Purdue University Fort Wayne pursuant to an operating lease which expires on October 1, 2051. Pursuant to the lease agreement, annual rent is \$1. The fair market value of the lease was \$47,880 for the years ended September 30, 2014 and 2013 and was recorded as contributed goods and services.

The Station leases office equipment pursuant to an operating lease that expires in May 2017. Total lease expense was \$51,381 and \$50,383 for the years ended September 30, 2014 and 2013, respectively.

The Station leases a telephone system pursuant to a capital lease arrangement that expires on April 15, 2019. Assets included in property and equipment at September 30, 2014 consist of the following:

Office equipment	\$ 22,381
Accumulated amortization	1,332
Net book value	<u>\$ 21,049</u>

Amortization expense was included in depreciation expense and was \$1,332 for the year ended September 30, 2014.

Future minimum lease payments as of September 30, 2014 pursuant to capital and operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

	Capital Leases	Operating Leases
Year ended September 30, 2015	\$ 5,823	\$ 1,938
Year ended September 30, 2016	5,823	1,938
Year ended September 30, 2017	5,823	1,130
Year ended September 30, 2018	5,823	-
Year ended September 30, 2019	3,524	-
Total minimum payments	26,816	\$ 5,006
Amount representing interest	4,458	
Capital lease obligations	22,358	
Less current portion	4,182	
	\$ 18,176	

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**9. Facility and Tower Leases**

The Station leases space on its tower and in its former facility pursuant to operating leases which expire at various dates in 2015 through 2032. Future minimum lease receipts as of September 30, 2014 pursuant to operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

Year ended September 30, 2015	\$ 198,720
Year ended September 30, 2016	135,891
Year ended September 30, 2017	127,775
Year ended September 30, 2018	90,685
Year ended September 30, 2019	92,825
Thereafter	478,985
Total minimum payments	<u>\$ 1,124,881</u>

**10. Related Party Transactions**

Certain members of the Board of Directors are employed by companies that provide services to the Station. The fees paid to these companies were based on customary and reasonable rates for such services.

**11. Subsequent Events**

Management has evaluated subsequent events through December 11, 2014, the date on which the financial statements were available to be issued.