

NORTHWEST INDIANA PUBLIC  
BROADCASTING, INC.  
Merrillville, Indiana

ANNUAL REPORT  
September 30, 2014

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# APPLEGATE & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

111 South Wood Street, Suite 200  
Merrillville, Indiana 46459  
Phone: 317-833-1111  
Fax: 317-833-1111  
www.applegate.com

Scott Applegate, CPA  
Jill O'Connell Applegate, CPA  
Bryan E. Applegate, CPA  
Megan M. Applegate, CPA  
Bonnie Deen, CPA  
Christie C. Day, CPA  
Lynn M. Nichols, CPA  
Brenda K. Niles, CPA

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Northwest Indiana Public  
Broadcasting, Inc.  
Merrillville, Indiana

We have audited the accompanying financial statements of Northwest Indiana Public Broadcasting, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

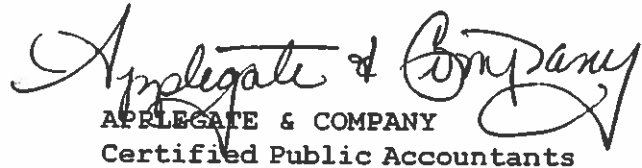
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Indiana Public Broadcasting, Inc. as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Station will continue as a going concern. As discussed in Note 15 to the financial statements, the Station has suffered recurring significant reductions in net assets, as well as a creditor calling loans that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

  
APPELLEGATE & COMPANY  
Certified Public Accountants

Michigan City, Indiana  
March 26, 2015

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 18,143	\$ 141,013
Investments (Note 2)	275,157	884,504
Grants and accounts receivable (net of allowance for doubtful accounts: 2014-\$ 10,000, 2013-\$10,000)	249,972	230,203
Membership receivable	14,916	13,569
Prepaid expenses	20,993	72,282
Total current assets	<u>579,181</u>	<u>1,341,571</u>
<u>PROPERTY AND EQUIPMENT</u> (Note 3)	<u>2,445,640</u>	<u>2,904,753</u>
<u>OTHER ASSETS</u>		
Deposits	6,475	6,475
Radio license (Note 4)	<u>1,076,682</u>	<u>1,076,682</u>
Total other assets	<u>1,083,157</u>	<u>1,083,157</u>
 Total assets	 <u>\$4,107,978</u>	 <u>\$5,329,481</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of long-term debt (Note 6)	\$ 405,874	\$ 136,830
Notes payable - lines of credit (Note 5)	399,446	399,449
Accounts payable	745,984	531,804
Accrued payroll and payroll taxes	44,688	48,206
Deferred revenue	266,161	529,679
Total current liabilities	<u>1,862,153</u>	<u>1,645,968</u>
<u>LONG-TERM DEBT</u> (Note 6)	<u>907,474</u>	<u>1,301,249</u>
<u>NET ASSETS</u>		
Unrestricted	<u>1,338,351</u>	<u>2,382,264</u>
Total net assets	<u>1,338,351</u>	<u>2,382,264</u>
 Total liabilities and net assets	 <u>\$4,107,978</u>	 <u>\$5,329,481</u>

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

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF ACTIVITIES

For the years ended September 30, 2014 and 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Restricted	Total All Funds	Total All Funds
<b>REVENUES AND SUPPORT</b>					
Contributions - foundations	\$ 100,000			\$ 100,000	\$ 112,180
Contributions - bequests	49,000			49,000	26,357
CPB - community service grant	718,861			718,861	652,798
Mobile production grant	87,650			87,650	149,063
IPBS - annual allocation	260,640			260,640	166,431
PBS - WARN grant		\$ 33,523		33,523	158,780
Fundraising and special events	118,823			118,823	139,239
In-kind professional services - materials and equipment	-0-			-0-	1,270
Investment income	23,401			23,401	55,104
Membership subscriptions	1,153,156			1,153,156	1,187,429
Miscellaneous income	88,747			88,747	9,304
Production underwriting income	423,720			423,720	226,635
Program underwriting income	200,531			200,531	348,361
Transmission grants	-0-			-0-	10,900
CPB - community service grant - radio	72,313			72,313	68,852
IPBS - annual allocation - radio	46,012			46,012	25,857
Membership subscriptions - radio	9,068			9,068	15,462
Transmission grants - radio	7,000			7,000	47,500
Underwriting income - radio	65,017			65,017	126,446
Special events - radio	79,358			79,358	24,313
Unrealized gain/(loss) on investments	9,340			9,340	(10,691)
Realized gain/(loss) on investments	(1,126)			(1,126)	27,279
<b>Total revenues and support</b>	<b>3,511,511</b>	<b>33,523</b>		<b>3,545,034</b>	<b>3,568,869</b>
<b>EXPENSES</b>					
Administration	1,141,486			1,141,486	1,049,948
Production	594,599			594,599	723,747
Engineering	557,973			557,973	566,819
Programming	654,816			654,816	630,838
Special events	127,278			127,278	167,347
Membership	491,815			491,815	457,408
Development	349,493			349,493	481,144
News	158,113			158,113	338,499
Radio	513,374			513,374	493,057
<b>Total expenses</b>	<b>4,588,947</b>			<b>4,588,947</b>	<b>4,908,807</b>
<b>DECREASE IN NET ASSETS</b>	<b>(1,077,436)</b>	<b>33,523</b>		<b>(1,043,913)</b>	<b>(1,339,938)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,223,484</b>	<b>158,760</b>		<b>2,382,264</b>	<b>3,722,202</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$1,146,048</b>	<b>\$192,303</b>	<b>\$</b>	<b>\$1,338,351</b>	<b>\$2,382,264</b>

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

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
For the year ended September 30, 2014

	<u>Administration</u>	<u>Production</u>	<u>Engineering</u>	<u>Programming</u>	<u>Special Events</u>	<u>Membership</u>	<u>Development</u>	<u>News</u>	<u>Radio</u>	<u>Total</u>
<u>EXPENSES</u>										
Salaries and related expenses										
Salaries	\$ 401,918	\$194,761	\$ 90,245	\$126,633	\$ 37,909	\$ 39,135	\$277,660	\$104,599	\$210,086	\$1,482,946
Payroll taxes	26,399	18,967	6,844	10,737	2,780	3,472	23,089	9,028	15,484	116,760
Insurance - health	10,416	13,781	3,442	6,516	2,969	2,475	7,318	6,087	11,679	64,683
Mileage expense	885	6,517	3,199	34	380		5,511	2,750	418	19,694
Car allowance	9,000									9,000
Retirement benefits	8,370	1,926		2,474			4,233	251	2,082	19,336
Total salaries and related expenses	456,988	235,952	103,730	146,394	44,038	45,082	317,811	122,715	239,709	1,712,419
Advertising and promotion	19,381									19,381
Bad debt expense	3,300									3,300
Bank fees and finance charges	7,199									7,199
Business insurance	44,672									44,672
Conferences, training and meetings	11,738		1,363		97	81,392	2,299	93	6,519	15,590
Contract services	7,669	40,975	17,150	19,398	6,506	45,082	24,691	29,853		234,153
Credit card fees										45,082
Dues, subscriptions and licenses	45,400	399	150						12,290	58,239
Interest expense	27,127								43,596	70,723
Janitorial and maintenance	18,830									18,830
Miscellaneous	2,891	2,245		889	534		70	35	595	7,259
Other syndication fees				13,448					127,037	140,485
Personnel recruiting	3,393									3,393
Postage/shipping	17,407								17,407	17,407
Premium and premium expense						296,670			1,267	297,937
Print materials	5,141			37,067	12,727	23,589	2,693			44,150
Professional fees	98,934								4,925	140,926
Public broadcasting and other programming				436,465						436,465
Rent expense	214,364		6,500						18,000	238,864
Repairs and maintenance - building	3,317									3,317
Repairs and maintenance - equipment										10,374
Special event/fundraising expense			10,374						51,273	114,649
Supplies - general		23,259	14,813		63,376				83	38,155
Supplies - office	15,195									15,195
Telephone	28,251	775		1,155			1,930	5,417	655	38,183
Utilities	42,898		49,411						3,853	96,162
Vehicle expense	20,652									20,652
Unrelated business income tax	1,148									1,148
Loss on disposal of asset			38,400							38,400
Total expenses before depreciation	1,095,895	303,605	241,891	654,816	127,278	491,815	349,494	158,113	509,802	3,932,709
Depreciation	39,538	290,994	316,082						3,571	650,185
Investment expense	6,053									6,053
TOTAL EXPENSES	<u>\$1,141,486</u>	<u>\$594,599</u>	<u>\$557,973</u>	<u>\$654,816</u>	<u>\$127,278</u>	<u>\$491,815</u>	<u>\$349,494</u>	<u>\$158,113</u>	<u>\$513,373</u>	<u>\$4,588,947</u>

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

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended September 30, 2013

	<u>Administration</u>	<u>Production</u>	<u>Engineering</u>	<u>Programming</u>	<u>Special Events</u>	<u>Membership</u>	<u>Development</u>	<u>News</u>	<u>Radio</u>	<u>Total</u>
<b>EXPENSES</b>										
Salaries and related expenses	\$ 317,656	\$241,081	\$ 96,082	\$128,409	\$ 80,671	\$ 49,760	\$393,959	\$271,609	\$278,506	\$1,957,733
Salaries	25,402	20,903	7,838	11,067	6,862	4,327	26,172	23,946	21,426	147,943
Payroll taxes	640	15,698	3,473	6,194	4,325	3,368	11,757	7,520	14,587	67,562
Insurance - health	3,076	12,592	6,812	218	2,407	724	6,615	5,811	621	38,876
Mileage expense	5,250									5,250
Car allowance	7,189									7,189
Retirement benefits		2,355		2,595				2,863	1,205	16,207
Total salaries and related expenses	359,213	292,629	114,205	148,483	94,265	58,179	438,503	311,749	316,345	2,133,571
Bad debt expense	4,897									4,897
Bank fees and finance charges	1,252									1,252
Business insurance	45,036									45,036
Conferences, training and meetings	12,955	3,371	3,826	6,995	380	1,748	12,029	2,129		43,433
Contract services	48,385	53,065	26,956	21,945	7,186	73,123	22,470	18,979	7,740	279,849
Credit card fees						47,017				47,017
Dues, subscriptions and licenses	29,147	75		331	550		399		5,003	35,505
Interest expense	25,454								45,399	70,853
Investment expenses	13,694									13,694
Janitorial and maintenance	16,419									16,419
Miscellaneous	22,474		240		1,435	4,644	644	81		31,409
Other syndication fees									60,501	92,738
Personnel recruiting	4,131									4,131
Postage/shipping	22,014									22,014
Premium and premium expense						254,748			1,358	256,106
Print materials	4,668				16,943	17,634	4,540			43,785
Professional fees	77,038			27,163					6,660	110,861
Public broadcasting and other programming				391,875						391,875
Rent expense	209,114		13,676						16,872	239,662
Repairs and maintenance - building	11,413		2,378							13,791
Repairs and maintenance - equipment			30,711							30,711
Special event/fundraising expense					46,343				17,197	63,540
Supplies - general		39,137							363	61,988
Supplies - office	16,996									16,996
Telephone	23,530	940		1,295	245	315	2,559	5,561	1,131	35,576
Utilities	43,194		28,479						4,547	76,220
Vehicle expense	24,752		3,720							28,472
Unrelated business income tax	(77)									(77)
Total expenses before depreciation	1,015,699	389,217	246,281	630,838	167,347	457,408	481,144	338,499	484,891	4,211,324
Depreciation	34,249	334,530	920,538	\$630,838	\$167,347	\$457,408	\$481,144	\$338,499	8,166	697,483
TOTAL EXPENSES	\$1,049,948	\$723,747	\$566,819	\$630,838	\$167,347	\$457,408	\$481,144	\$338,499	\$493,057	\$4,908,807

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

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Decrease in net assets	\$(1,043,913)	\$(1,339,938)
Add non-cash items:		
Depreciation	650,185	697,483
Unrealized (gain)/loss on investment	(9,340)	10,691
(Gain)/loss on sale of investments	1,126	(27,279)
Loss on disposal of fixed assets	38,400	
Decrease/(increase) in assets:		
Grants and accounts receivable	(19,769)	6,448
Membership receivable	(1,349)	(7,355)
Prepaid expenses	51,289	(45,188)
Increase/(decrease) in liabilities:		
Accounts payable	214,180	187,767
Accrued payroll and payroll taxes	(3,518)	15,682
Deferred revenue	<u>(263,518)</u>	<u>(11,843)</u>
Net cash used by operating activities	<u>(386,227)</u>	<u>(513,532)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in certificates of deposit	(263)	(203)
Purchase of equipment	(212,508)	(474,052)
Purchase of investments	(24,928)	(129,791)
Proceeds from sale of investments	<u>642,752</u>	<u>838,599</u>
Net cash provided by investing activities	<u>405,053</u>	<u>234,553</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Debt increase/(reduction):		
Short-term - line of credit	(3)	74,377
Long-term	<u>(141,693)</u>	<u>241,528</u>
Net cash provided by/(used by) financing activities	<u>(141,696)</u>	<u>315,905</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(122,870)	36,926
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>141,013</u>	<u>104,087</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 18,143</u>	<u>\$ 141,013</u>
	*	*
Schedule of Interest Paid in Arriving at Change in Net Assets		
Cash paid for interest	<u>\$ 70,723</u>	<u>\$ 70,853</u>
Schedule of Noncash Investing and Financing Transactions		
Acquisition of fixed assets:		
Cost of fixed assets	\$ 229,470	\$ 474,052
Fixed assets loan	16,962	
Cash payment for fixed assets	<u>\$ 212,508</u>	<u>\$ 474,052</u>

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



NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - Northwest Indiana Public Broadcasting, Inc. (the Station) is a not-for-profit organization, incorporated in the State of Indiana. The Station's purpose is to plan and provide non-commercial educational broadcasting while serving the educational, cultural, and instructional needs of the general public in Northwest Indiana and surrounding communities. The Station receives grants from public and governmental agencies, which is its primary source of revenue. It is the Station's responsibility to obtain revenues to meet operating expenses and capital requirements not funded by the receipt of grant money.

ACCOUNTING METHODS - The financial statements of Northwest Indiana Public Broadcasting, Inc. are prepared on the accrual basis of accounting.

INCOME TAXES - The Station is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes under Indiana law.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification "Accounting for Uncertainty in Income Taxes," that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Station's income tax returns. The Station has adopted the Standard. The Station evaluates all significant tax

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

positions as required by generally accepted accounting principles in the United States. As of September 30, 2014, the Station does not believe that it has taken any tax positions that would require the recording of any tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Station's income tax returns are subject to examination by the appropriate taxing jurisdictions and the open tax years are 2010-2013.

**CASH EQUIVALENTS** - All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents and are reflected as cash in the statement of cash flows.

**FINANCIAL STATEMENT PRESENTATION** - The Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes.

**CONTRIBUTIONS** - Contributions including grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor/

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

grantor restrictions. Such contributions and grants are required to be reported as temporarily restricted support and then reclassified to unrestricted net assets upon expiration of the time or purpose restrictions. Restricted support is reported as unrestricted, if restrictions are met in the same reporting period when received.

During the years ended September 30, 2014 and 2013, the Station expensed less than \$500,000 of federal awards and thus is not subject to the audit and reporting requirements of OMB Circular A-133.

ACCOUNTS RECEIVABLE - Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts, as needed. The allowance for doubtful accounts represents management's best estimate of probable losses inherent in the account receivable balance. Management determines the allowance based on known troubled accounts, historical experience and other available existing information. The bad debt expense for the years ended September 30, 2014 and 2013 was \$3,300 and \$4,897, respectively.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results may differ from those estimated amounts.

**FAIR VALUE OF FINANCIAL INSTRUMENTS** - The Station has a number of financial instruments, none of which are held for trading purposes. The Station estimates that the fair value of all financial instruments at September 30, 2014 and 2013 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated amounts have been determined by the Station using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Station could realize in a current market exchange.

**CONCENTRATION OF CREDIT RISK** - The Station maintains cash balances at various financial institutions located in Indiana. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2014, the Station's uninsured cash balances totaled \$-0-. These balances fluctuate greatly during the year and can exceed this \$250,000 limit at other times during the year.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**ADVERTISING AND PROMOTION** - Advertising and promotion costs are expensed as incurred. Advertising and promotion expense was \$19,381 and \$-0- for the years ended September 30, 2014 and 2013.

**VALUATION OF DONATED SERVICES AND MATERIALS** - Donated services are recorded when the volunteer provides a specialized skill in which he/she is trained or employed to provide and the Station would otherwise need to purchase those services.

Donated services are valued at the market rate charged for the particular services being provided. Donated materials are valued based on the fair market value of the material as assigned by the donor.

**INVESTMENTS** - The Station has investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Station has certificates of deposit with maturities over 90 days. These are classified as investments and are valued at fair market value.

**TRADE REVENUE** - The Station trades certain underwriting time for various goods and services. These transactions are recorded at the estimated fair value of the goods or services received. Revenue from trade transactions is recognized when the related underwriting spots are broadcast. The Station recorded \$35,245 and \$114,415 of trade revenues for the years ended September 30, 2014 and 2013, respectively.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 2 - INVESTMENTS

The portfolio of investments is carried at their fair market value. Market values and net unrealized gains and losses pertaining to the investment portfolio as of September 30, 2014 and 2013 are as follows:

	<u>COST</u>	<u>2014 UNREALIZED GAIN/ (LOSS)</u>	<u>MARKET VALUE</u>
Cash and cash equivalents	\$ 36,694		\$ 36,694
Fixed income	<u>153,391</u>	\$ 7,273	<u>160,664</u>
Total	<u>\$ 190,085</u>	<u>\$ 7,273</u>	<u>\$ 197,358</u>

	<u>COST</u>	<u>2013 UNREALIZED GAIN/ (LOSS)</u>	<u>MARKET VALUE</u>
Cash and cash equivalents	\$ 7,991		\$ 7,991
Fixed Income	153,607	\$ 6,255	159,862
Equities	376,992	9,402	386,394
Mutual Funds	79,669	(4,520)	75,149
Other investments	<u>191,894</u>	<u>(14,322)</u>	<u>177,572</u>
Total	<u>\$ 810,153</u>	<u>\$(3,185)</u>	<u>\$ 806,968</u>

The Station held investments in the form of certificates of deposit at September 30, 2014 and 2013 which are valued at fair market value as follows:

September 30, 2014

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
Peoples Bank	10/04/2013	04/04/2015	\$ 77,799	0.25%
Total Certificates of Deposit			<u>\$ 77,799</u>	

September 30, 2013

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
Peoples Bank	04/04/2012	10/04/2013	\$ 77,536	0.35%
Total Certificates of Deposit			<u>\$ 77,536</u>	

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 2 - INVESTMENTS (Continued)

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than the quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Station uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Station measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

The Station's investments are reported at fair value in the accompanying statement of financial position as of September 30, 2014 and 2013:

Fair Value Measurements at September 30, 2014

<u>Financial Assets:</u>	<u>Fair Value</u>	<u>Quoted Market Prices (Level 1)</u>
Investments, at fair value		
Cash and cash equivalents	\$ 36,694	\$ 36,694
Fixed income	<u>160,664</u>	<u>160,664</u>
Total	<u>\$197,358</u>	<u>\$197,358</u>

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 2 - INVESTMENTS (Continued)

Fair Value Measurements at September 30, 2013

<u>Financial Assets:</u>	<u>Fair Value</u>	<u>Quoted Market Prices (Level 1)</u>
Investments, at fair value		
Cash and cash equivalents	\$ 7,991	\$ 7,991
Fixed Income	159,862	159,862
Equities	386,394	386,394
Mutual Funds	75,149	75,149
Other investments	<u>177,572</u>	<u>177,572</u>
Total	<u>\$806,968</u>	<u>\$806,968</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property, equipment and improvements are carried at cost if purchased, fair value if contributed. Depreciation expense is computed using straight-line methods over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transaction is recognized for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense for the years ended September 30, 2014 and 2013 was \$650,185 and \$697,483, respectively.

At September 30, 2014 and 2013, property and equipment consisted of the following:

- Continued -



NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

	<u>2 0 1 4</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Transmitter - digital	\$2,029,807	\$1,087,602	\$ 942,205
Transmitter - analog	801,965	554,539	247,426
Land improvements	98,993	50,247	48,746
Leasehold improvements	388,199	287,385	100,814
Production equipment	1,753,524	1,317,485	436,039
Engineering equipment	1,415,831	1,220,408	195,423
Satellite transmitter at studio	106,823	106,823	
Leasehold improvements - radio	20,928	7,608	13,320
Equipment - radio	318,494	20,536	297,958
Office furniture/fixtures	130,639	120,492	10,147
Office machines	129,851	124,703	5,148
Vehicles	653,643	602,174	51,469
Land	61,244		61,244
Website	47,601	11,900	35,701
Total	<u>\$7,957,542</u>	<u>\$5,511,902</u>	<u>\$2,445,640</u>

	<u>2 0 1 3</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Transmitter - digital	\$2,029,807	\$ 976,960	\$1,052,847
Transmitter - analog	801,965	497,560	304,405
Land improvements	98,993	44,164	54,829
Leasehold improvements	384,999	272,224	112,775
Production equipment	1,707,346	1,232,543	474,803
Engineering equipment	1,398,410	1,071,946	326,464
Satellite transmitter at studio	106,823	106,823	
Leasehold improvements - radio	20,928	6,212	14,716
Equipment - radio	318,494	16,964	301,530
Office furniture/fixtures	130,639	116,116	14,523
Office machines	129,851	122,265	7,586
Vehicles	636,681	502,871	133,810
Land	61,244		61,244
Website	47,601	2,380	45,221
Total	<u>\$7,873,781</u>	<u>\$4,969,028</u>	<u>\$2,904,753</u>

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

In addition, agreements were entered into with the National Telecommunications and Information Administration of the United States Department of Commerce, in which they furnished various broadcasting equipment to the Station. The ownership and title to the property under these agreements will remain with the United States Government. The right to the use of the property is for ten-year periods commencing in 2004 with options to extend the agreements every five years thereafter. The option to extend the agreement has been exercised.

NOTE 4 - INTANGIBLE ASSET

During fiscal year 2009, the Station purchased an FCC (Federal Communications Commission) regulated radio license for \$1,076,682. In accordance with generally accepted accounting principles, the radio license is not amortized since it has an indefinite life. Instead, this asset is tested annually for impairment. During the fiscal years ended September 30, 2014 and 2013, it was determined that there was no impairment and therefore, no change in the value of the radio license.

NOTE 5 - LINES OF CREDIT

The Station has an available line of credit of \$400,000 with Fifth Third Bank, which is to be used for operating capital. The balances at September 30, 2014 and 2013 were \$399,446 and \$399,449, respectively.

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 5 - LINES OF CREDIT (Continued)

The note bears interest at the "LIBOR Rate" plus 2.50%. The line of credit is secured by the assets of the Station and matured in May 2014. The Station is in negotiations with Fifth Third Bank regarding a forbearance agreement at the time these statements were issued.

NOTE 6 - LONG-TERM DEBT

On December 5, 2012, the Station converted a line of credit with Fifth Third Bank to a term loan. The terms of the debt are monthly principal and interest payments of \$5,531, beginning January 2013. The loan bears interest at 2.38% and was set to mature on December 5, 2016. Fifth Third Bank has called the loan and the Station is in negotiations regarding a forbearance agreement at the time these statements were issued, therefore the amounts due have been classified as current.

During May 2012, the Station negotiated a new loan with Fifth Third Bank. The terms of the debt are monthly principal and interest payments of \$3,774, beginning June 2012. The loan bears interest at 5% and was set to mature May 18, 2017. Fifth Third Bank has called the loan and the Station is in negotiations regarding a forbearance agreement at the time these statements were issued, therefore the amounts due have been classified as current.

During the fiscal year ended September 30, 2009, the Station negotiated a new loan with Peoples Bank for the acquisition of WWLO-FM Radio. The terms of the debt are interest only until January 15, 2011.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 6 - LONG-TERM DEBT (Continued)

The Station negotiated the principal and interest terms of the note on or before January 15, 2011 and the debt is set to mature on January 16, 2016. The monthly principal and interest payment is \$6,794.

The loan agreement contains a financial covenant, a cash flow to fixed charge coverage ratio minimum of 1.10 to 1.0. At September 30, 2014, the Station was not in compliance with the covenant.

A schedule of the Station's long-term debt at September 30, 2014 and 2013 with the current maturity thereof follows:

<u>Payee/(Security)</u>	<u>Interest Rate</u>	<u>Payment Amount and Due Date</u>	<u>2014</u>	<u>2013</u>
Fifth Third Bank/ (All business assets)	2.38%	\$5,532 per month including interest until December 2016	\$ 251,774	\$ 311,266
Fifth Third Bank/ (All business assets)	5.00%	\$3,774 per month including interest until May 2017	109,148	151,500
Peoples Bank/(All business assets)	4.50%	\$6,794 per month Including interest until January 2016	937,520	975,313
Ally Bank/(Vehicle)	3.94%	\$433 per month Including interest until February 2018	<u>14,906</u>	<u>          </u>
Total			1,313,348	1,438,079
Less current maturities			<u>405,874</u>	<u>136,830</u>
Net long-term debt			<u>\$ 907,474</u>	<u>\$1,301,249</u>

Long-term debt matures as follows:

2015	\$ 405,874
2016	902,190
2017	5,284
Total	<u>\$1,313,348</u>

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 7 - UNRELATED BUSINESS INCOME TAXES

The Station pays income taxes on income earned through activities unrelated to its exempt purposes, which includes the use of its production truck.

NOTE 8 - RETIREMENT PLANS

The Station maintains a non-contributory defined contribution plan covering all employees after a specific period of service. Contributions are provided for and funded in accordance with the plan document. Contributions to this plan for the years ended September 30, 2014 and 2013 were \$19,334 and \$16,207, respectively.

NOTE 9 - BUILDING LEASE

In December 2011, the Station signed a new lease for the building and additional office space. The lease term is four years, expiring October 31, 2015, with two four-year options available. The monthly rent for the first four-year term is \$5,908.

Total office space and production facility rental expenses for the years ended September 30, 2014 and 2013 were \$70,900 and \$70,900, respectively.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 9 - BUILDING LEASE (Continued)

The Station has the following lease obligation in future years:

For the year ended  
September 30,

2015	\$70,900
2016	<u>5,908</u>
Total	<u>\$76,808</u>

NOTE 10 - VEHICLE LEASES

The Station is currently leasing two different vehicles with expiration dates in 2016 and 2017. The leases require monthly payments of \$473 and \$466. Total lease expense for the years ended September 30, 2014 and 2013 was \$20,652 and \$20,870, respectively. Minimum future lease payments over the term of the leases are as follows:

For the year ended  
September 30,

2015	\$11,266
2016	9,846
2017	<u>2,794</u>
Total	<u>\$23,906</u>

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 11 - OPERATING LEASE

During 2012, the Station entered into a copier lease. The terms of the lease call for thirty-four monthly rental payments of \$967. The total copier lease expense for the years ended September 30, 2014 and 2013 was \$13,637 and \$13,793, respectively. Future minimum rents under this lease are as follows:

2015	<u>\$5,802</u>
Total	<u>\$5,802</u>

NOTE 12 - TOWER LEASES

Effective June 1, 2011, the Station has executed a new seven-year lease for tower space. The lease requires a monthly payment of \$11,000 with annual increases of 3.5% effective every June 1<sup>st</sup>. The lease expires in 2018, but the Station has the right to renew the lease for three additional seven-year terms.

The Station is leasing tower space over a five-year term expiring in 2017. The lease requires monthly payments of \$1,500. The Station has the right to renew this lease for three additional terms of five years each with a 5% maximum increase per renewal term.

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 12 - TOWER LEASES (Continued)

Total lease expense for the years ended September 30, 2014 and 2013 was \$161,464 and \$155,086, respectively.

Minimum future lease payments over the term of the leases are as follows:

For the year ended  
September 30,

2015	\$165,631
2016	170,798
2017	161,146
2018	<u>121,696</u>
Total	<u>\$619,271</u>

NOTE 13 - BOARD DESIGNATED FUNDS

During 2012, the Station's Board of Directors had designated that the funds held in the investment account would be restricted for Board approved expenditures. The balance as of September 30, 2014 and 2013, of these Board restricted funds was \$197,358 and \$806,968, respectively.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Station received professional services from a company that is owned by a board member. During the fiscal year ended September 30, 2014, amounts billed to the Station by the related party totaled \$35,187.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 15 - GOING CONCERN

As shown in the accompanying financial statements, the Station incurred a net loss of \$1,043,913 during the year ended September 30, 2014, and as of that date, the Station's current liabilities exceeded its current assets by \$1,282,972. The Station has incurred a cumulative decrease in net assets totaling \$3,320,477 over the last three years. Those factors, as well as the uncertain conditions the Station faces regarding its loan agreements with Fifth Third Bank (as discussed in Note 6), create an uncertainty about the Station's ability to continue as a going concern.

Management of the Station is implementing a plan to generate revenue to reduce its loan balances and payables, as well as fund the costs to update their production trucks to increase future revenues. The Station is planning to be part of the FCC Spectrum Auction in 2015. The Auction gives the Station the opportunity to sell their rights to transmit signals over specific bands of the electromagnetic spectrum they are not using. The Station has signed an agreement with a service to represent them at the auction. The service will find a partner for the Station for the auction. Once the partner is signed, the Station will receive funds to pay in full the debt to Fifth Third Bank. The Station is in negotiations with Fifth Third Bank regarding a forbearance agreement to extend the terms of the loans until a partner is signed and funds received.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2014 and 2013

NOTE 15 - GOING CONCERN (Continued)

The ability of the Station to continue as a going concern and meet its obligations as they become due is dependent on acceptance of the plan by the Station's bank creditors, which management believes is probable. The financial statements do not include any adjustments that might be necessary if the Station is unable to continue as a going concern.

NOTE 16 - SUBSEQUENT EVENT

There are no other subsequent events to report as of March 26, 2015, which is the date the financial statements were available to be issued.