

NORTHWEST INDIANA PUBLIC
BROADCASTING, INC.
Merrillville, Indiana

ANNUAL REPORT
September 30, 2017

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 5 and 6 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.


APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
January 22, 2018

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>			
Cash		\$1,406,009	\$1,540,309
Investments (Note 2)		78,735	78,191
Grants and accounts receivable (net of allowance for doubtful accounts: 2017-\$10,000, 2016-\$10,000)		171,276	322,190
Membership receivable		27,252	28,297
Prepaid expenses		<u>34,577</u>	<u>30,350</u>
Total current assets		<u>1,717,849</u>	<u>1,999,337</u>
<u>PROPERTY AND EQUIPMENT</u> (Note 3)		<u>1,351,923</u>	<u>1,691,635</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>\$4,152,929</u>	<u>\$4,774,129</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Current portion of long-term debt (Note 5)		\$ 605,583	\$ 661,927
Accounts payable		329,510	472,285
Accrued payroll and payroll taxes		57,876	59,742
Deferred revenue		<u>404,900</u>	<u>297,740</u>
Total current liabilities		<u>1,397,869</u>	<u>1,491,694</u>
<u>LONG-TERM DEBT</u> (Note 5)		<u>6,237</u>	<u>13,696</u>
<u>NET ASSETS</u>			
Unrestricted		<u>2,748,823</u>	<u>3,268,739</u>
Total net assets		<u>2,748,823</u>	<u>3,268,739</u>
Total liabilities and net assets		<u>\$4,152,929</u>	<u>\$4,774,129</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, 2017 and 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Restricted	Total All Funds	Total All Funds
REVENUES AND SUPPORT					
Contributions - foundations	\$ 172,631			\$ 172,631	\$ 100,000
Contributions - bequests	6,997			6,997	683,184
CPB - community service grant	494,616			494,616	247,241
Mobile production grant	141,195			141,195	340,734
IPBS - annual allocation	316,297			316,297	8,335
Other grants					64,379
Fundraising and special events	68,428			68,428	447
Investment income	1,413			1,413	1,041,184
Membership subscriptions	896,645			896,645	7,720
Miscellaneous income	12,201			12,201	3,000,000
Consent revenue					307,693
Production underwriting income	283,369			283,369	101,067
Program underwriting income	82,395			82,395	108,240
CPB - community service grant - radio	99,986	\$ 8,483		108,469	42,146
IPBS - annual allocation - radio	56,583			56,583	21,720
Membership subscriptions - radio	37,615			37,615	24,756
Transmission grants - radio	25,000			25,000	200
Underwriting income - radio	18,199			18,199	75,050
Special events - radio					
In-kind revenue	125,871	(8,483)		125,871	
Net assets released from restrictions	8,483				
Total revenues and support	<u>2,847,924</u>			<u>2,847,924</u>	<u>6,174,096</u>
EXPENSES					
Administrative	894,728			894,728	993,758
Production	305,125			305,125	477,182
Engineering	334,728			334,728	427,160
Programming	722,772			722,772	745,824
Special events					100,432
Memberships	404,498			404,498	465,623
Development	344,665			344,665	147,382
News	14,650			14,650	34,427
Radio	346,674			346,674	341,204
Total expenses	<u>3,367,840</u>			<u>3,367,840</u>	<u>3,732,992</u>
INCREASE/(DECREASE) IN NET ASSETS	(519,916)			(519,916)	2,441,104
NET ASSETS AT BEGINNING OF YEAR	<u>3,268,739</u>			<u>3,268,739</u>	<u>827,635</u>
NET ASSETS AT END OF YEAR	<u>\$2,748,823</u>	<u>\$</u>	<u>\$</u>	<u>\$2,748,823</u>	<u>\$3,268,739</u>

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended September 30, 2017

EXPENSES	Special							Total		
	Administration	Production	Engineering	Programming	Events	Membership	Development		News	Radio
<u>Salaries and related expenses</u>	\$ 234,277	\$ 133,279	\$ 62,050	\$ 122,338	\$	\$ 51,323	\$ 129,321	\$ 9,213	\$ 164,130	\$ 905,931
Salaries	18,564	9,424	4,620	9,474		3,910	10,457	792	12,461	69,702
Payroll taxes	3,196	10,777	2,633	12,081		2,417	2,478		8,649	42,231
Insurance - health	2,081	7,186	1,858	165		13	1,708	47	2,003	15,071
Mileage expense						57,653	143,964	10,052	187,243	1,032,935
Total salaries and related expenses	258,118	150,666	71,171	144,058		11,400	11,400	800	800	18,537
<u>Advertising and promotion</u>	3,337					3,000				992
Bad debt expense	992									1,063
Bank fees and finance charges	1,063									40,664
Business insurance	40,664									4,286
Conferences, training and meetings	2,197									297,234
Contract services	27,845	8,226	10,178	41,683		58,462	141,088		9,752	32,436
Credit card fees						32,436				97,076
Dues, subscriptions and licenses	54,405									29,069
Interest expense	1,329									14,925
Janitorial and maintenance	14,925									5,251
Miscellaneous	1,486	265	365	1,085		1,375				13,352
Personal recruiting	1,360					175,441				175,441
Postage/shipping	11,977					75,029				82,817
Premium and premium expense						1,092				282,325
Print materials	5,072									421,758
Professional fees	117,976			160,946						285,436
Public broadcasting and other programming				375,000						7,741
Rent expense	267,061									16,460
Repairs and maintenance - building	7,741									15,090
Repairs and maintenance - equipment										1,739
Special event/fundraising expense										54,339
Supplies - general	5,259									917
Supplies - office	(17,128)									722,772
Telephone	40,535									404,498
Utilities	5,333									344,665
Vehicle expense	(493)									14,650
Property tax	851,054	184,247	155,169	722,772		404,498	344,665	14,650	342,265	3,019,320
Total expenses before depreciation	43,674	120,878	179,559	\$ 722,772	\$	\$ 404,498	\$ 344,665	\$ 14,650	\$ 4,409	348,520
Depreciation	\$ 894,728	\$ 305,125	\$ 334,728	\$ 722,772	\$	\$ 404,498	\$ 344,665	\$ 14,650	\$ 346,674	\$ 3,367,820
<u>TOTAL EXPENSES</u>										

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended September 30, 2016

EXPENSES	Administration	Production	Engineering	Programming	Special Events	Membership	Development	News	Radio	Total
Salaries and related expenses	\$ 250,235	\$147,747	\$ 67,953	\$129,352	\$	\$ 52,873	\$117,873	\$ 23,722	\$146,156	\$ 935,911
Salaries	19,790	12,944	4,814	10,483		4,559	9,691	2,231	10,976	75,488
Payroll taxes	3,577	5,551	3,328	7,966		2,691	5,226	415	4,911	33,665
Insurance - health	1,464	7,332	2,265	143			1,217	1,162	1,129	14,712
Mileage expense	1,500									1,500
Car allowance										
Retirement benefits	1,947			482			360		377	3,166
Total salaries and related expenses	278,513	173,574	78,360	148,426		60,123	134,367	27,530	163,549	1,064,442
Advertising and promotion	2,482				\$ 9,800					12,282
Bad debt expense	1,455									1,455
Bank fees and finance charges	2,217									2,217
Business insurance	41,824									41,824
Conferences, training and meetings	4,342	1,000		378		77,965	808	2,340	1,221	7,749
Contract services	41,195	142,749	14,439	13,048	113	46,189	810		4,815	296,664
Credit card fees				6,961					25,651	60,584
Dues, subscriptions and licenses	27,162								34,555	41,786
Interest expense	7,231								422	41,786
Janitorial and maintenance	14,172			1,683			69			14,172
Miscellaneous	25			27,728						2,199
Other syndication fees										27,728
Personal recruiting	527									527
Postage/shipping	11,226					1,507			2,837	12,733
Premium and premium expense						249,283			252,120	252,120
Print materials	2,690				50,268	30,113	2,643		85,714	85,714
Professional fees	232,745	10,581		55,314		443	8,650		2,311	310,044
Public broadcasting and other programming				492,146					75,953	568,099
Rent expense	231,501								19,800	251,301
Repairs and maintenance - building	2,080									2,080
Repairs and maintenance - equipment				37,062						37,062
Special event/fundraising expense		24,885		5,100	40,251				652	70,288
Supplies - general	4,660									4,660
Supplies - office	32,900	135		47,216			35	4,557	644	87,001
Telephone	35,922			2,782					3,863	38,411
Utilities	11,184									11,184
Vehicle expense	1,147									1,147
Property tax	987,200	352,924		745,824	100,432	465,623	147,382	34,427	336,273	3,355,044
Total expenses before depreciation	6,249	124,258		242,201					4,931	377,639
Depreciation										
Investment expense	309									309
TOTAL EXPENSES	\$ 993,758	\$477,182	\$427,160	\$745,824	\$100,432	\$465,623	\$147,382	\$ 34,427	\$341,204	\$3,732,992

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase/(decrease) in net assets	\$ (519,916)	\$2,441,104
Add non-cash items:		
Depreciation	348,520	377,639
Unrealized gain on investment		
Gain on sale of investments		
Decrease/(increase) in assets:		
Grants and accounts receivable	150,914	(277,050)
Membership receivable	1,045	124
Prepaid expenses	(4,227)	(576)
Increase/(decrease) in liabilities:		
Accounts payable	(142,775)	(306,520)
Accrued payroll and payroll taxes	(1,866)	12,790
Deferred revenue	107,160	(9,208)
	<u>(61,145)</u>	<u>2,238,303</u>
Net cash provided/(used) by operating activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in certificates of deposit	(544)	(236)
Purchase of equipment	(8,808)	(66,030)
Purchase of investments		
Proceeds from sale of investments		38,980
Net cash used by investing activities	<u>(9,352)</u>	<u>(27,286)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Debt reduction:		
Short-term - line of credit		(399,446)
Long-term	(63,803)	(509,088)
Net cash used by financing activities	<u>(63,803)</u>	<u>(908,534)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(134,300)	1,302,483
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,540,309</u>	<u>237,826</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,406,009</u>	<u>\$1,540,309</u>
* * *		
Schedule of Interest Paid in Arriving at Change in Net Assets		
Cash paid for interest	<u>\$ 29,069</u>	<u>\$ 41,786</u>
Schedule of Noncash Investing and Financing Transactions		
Acquisition of fixed assets:		
Cost of fixed assets	\$ 8,808	\$ 85,493
Fixed assets loan		19,463
Cash payment for fixed assets	<u>\$ 8,808</u>	<u>\$ 66,030</u>

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

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017 and 2016

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, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

positions as required by generally accepted accounting principles in the United States. As of September 30, 2017, 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 2013-2016.

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/grantor restrictions.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016, the Station expensed less than \$750,000 and \$750,000, respectively, of federal awards and thus is not subject to the audit and reporting requirements of the Uniform Guidance.

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, 2017 and 2016 was \$992 and \$1,455, 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, 2017 and 2016

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, 2017 and 2016 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 a financial institution located in Indiana. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2017, the Station's uninsured cash balances totaled \$1,250,722. 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, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADVERTISING AND PROMOTION - Advertising and promotion costs are expensed as incurred. Advertising and promotion expense was \$18,537 and \$12,282 for the years ended September 30, 2017 and 2016.

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

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

trade transactions is recognized when the related underwriting spots are broadcast. The Station recorded \$5,699 and \$39,490 of trade revenues for the years ended September 30, 2017 and 2016, respectively.

NOTE 2 - INVESTMENTS

The Station held investments in the form of certificates of deposit at September 30, 2017 and 2016 which are valued at fair market value as follows:

September 30, 2017

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
Peoples Bank	10/04/2016	11/04/2017	<u>\$78,735</u>	0.70%
Total Certificates of Deposit			<u>\$78,735</u>	

September 30, 2016

<u>Issuer</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Interest Rate</u>
Peoples Bank	10/04/2016	11/04/2017	<u>\$78,191</u>	0.70%
Total Certificates of Deposit			<u>\$78,191</u>	

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

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 2 - INVESTMENTS (Continued)

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, 2017 and 2016:

Fair Value Measurements at September 30, 2017

<u>Financial Assets:</u>	<u>Fair Value</u>	<u>Quoted Market Prices (Level 1)</u>
Investments, at fair value		
Certificates of deposit	<u>\$78,735</u>	<u>\$78,735</u>
Total	<u>\$78,735</u>	<u>\$78,735</u>

Fair Value Measurements at September 30, 2016

<u>Financial Assets:</u>	<u>Fair Value</u>	<u>Quoted Market Prices (Level 1)</u>
Investments, at fair value		
Certificates of deposit	<u>\$78,191</u>	<u>\$78,191</u>
Total	<u>\$78,191</u>	<u>\$78,191</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property, equipment and improvements are carried at cost if purchased, fair value if contributed. Depreciation expense is computed

- Continued -

NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

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, 2017 and 2016 was \$348,520 and \$377,639, respectively.

At September 30, 2017 and 2016, property and equipment consisted of the following:

		<u>2 0 1 7</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Transmitter - digital	\$2,029,807	\$1,376,277	\$ 653,530
Transmitter - analog	801,965	723,668	78,297
Land improvements	98,993	68,497	30,496
Leasehold improvements	389,134	332,958	56,176
Production equipment	1,821,420	1,768,139	53,281
Engineering equipment	1,483,406	1,402,257	81,149
Satellite transmitter at studio	106,823	106,823	
Leasehold improvements - radio	20,928	11,794	9,134
Equipment - radio	318,494	25,000	293,494
Office furniture/fixtures	130,639	130,302	337
Office machines	137,386	131,061	6,325
Vehicles	673,106	651,786	21,320
Land	61,244		61,244
Website	47,601	40,461	7,140
Total	<u>\$8,120,946</u>	<u>\$6,769,023</u>	<u>\$1,351,923</u>

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

	<u>2 0 1 6</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Transmitter - digital	\$2,029,807	\$1,280,052	\$ 749,755
Transmitter - analog	801,965	667,722	134,243
Land improvements	98,993	62,414	36,579
Leasehold improvements	389,134	317,850	71,284
Production equipment	1,812,612	1,654,528	158,084
Engineering equipment	1,483,406	1,374,869	108,537
Satellite transmitter at studio	106,823	106,823	
Leasehold improvements - radio	20,928	10,399	10,529
Equipment - radio	318,494	25,000	293,494
Office furniture/fixtures	130,639	127,559	3,080
Office machines	137,386	128,127	9,259
Vehicles	673,106	634,219	38,887
Land	61,244		61,244
Website	47,601	30,941	16,660
Total	<u>\$8,112,138</u>	<u>\$6,420,503</u>	<u>\$1,691,635</u>

In addition, agreements were entered into with the National Telecommunications and Information Administration of the United States Department of Commerce, in which they provided matching grant money for the purchase of various broadcasting equipment by the Station. The United States government retained a ten year security interest in such equipment to ensure that it continued to be used primarily for public broadcasting. The security interest commenced in 2007.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

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, 2017 and 2016, it was determined that there was no impairment and therefore, no change in the value of the radio license.

NOTE 5 - 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 loan were monthly principal and interest payments of \$5,532, beginning January 2013. The loan bore interest at 2.38% and was set to mature on December 5, 2016. This loan was paid off in January, 2016.

During May 2012, the Station negotiated a new loan with Fifth Third Bank. The terms of the loan were monthly principal and interest payments of \$3,774, beginning June 2012. The loan bore interest at 5% and was set to mature May 18, 2017. This loan was paid off in January, 2016.

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 loan were interest only until January 15, 2011. The Station negotiated the principal and interest terms of the note on

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 5 - LONG-TERM DEBT (Continued)

or before January 15, 2011 and the debt was set to mature on January 16, 2017. As of May 24, 2017 the loan maturity date has been extended to August 16, 2018. Therefore, the amount due has been classified as current. 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, 2017, the Station was not in compliance with the covenant and has received a waiver.

A schedule of the Station's long-term debt at September 30, 2017 and 2016 with the current maturity thereof follows:

<u>Payee/(Security)</u>	<u>Interest Rate</u>	<u>Payment Amount and Due Date</u>	<u>2017</u>	<u>2016</u>
Peoples Bank/(All business assets)	4.50%	\$6,794 per month including interest until January 2017	\$596,519	\$650,648
Ally Bank/(Vehicle)	3.94%	\$433 per month including interest until February 2018	2,556	6,525
Peoples Bank/ (Vehicle)	4.50%	\$580 per month including interest until August 2019	<u>12,745</u>	<u>18,450</u>
Total			611,820	675,623
Less current maturities			<u>605,583</u>	<u>661,927</u>
Net long-term debt			<u>\$ 6,237</u>	<u>\$ 13,696</u>

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 5 - LONG-TERM DEBT (Continued)

Long-term debt matures as follows:

2018	\$605,583
2019	<u>6,237</u>
Total	<u>\$611,820</u>

NOTE 6 - 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. There was no unrelated business taxable income for the years ended September 30, 2017 and 2016.

NOTE 7 - 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, 2017 and 2016 were \$-0- and \$3,166, respectively.

NOTE 8 - BUILDING LEASE

In October 2015, the Station signed a new lease for the building and additional office space. The lease term is four years, expiring October 31, 2019, with one four-year renewal option available. The monthly rent for the current four-year term is \$5,908.

Total office space and production facility rental expenses for the years ended September 30, 2017 and 2016 were \$70,900 and \$70,900, respectively.

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 8 - BUILDING LEASE (Continued)

The Station has the following lease obligation in future years:

For the year ended
September 30,

2018	\$ 70,900
2019	70,900
2020	<u>5,908</u>
Total	<u>\$147,708</u>

NOTE 9 - VEHICLE LEASES

The Station leased a vehicle through February 28, 2017 that required monthly payments of \$466. The Station leased a second vehicle through June 30, 2016 that required monthly payments of \$473. Total lease expense for the years ended September 30, 2017 and 2016 was \$2,330 and \$9,849, respectively.

NOTE 10 - OPERATING LEASE

During 2016, the Station entered into a copier lease. The terms of the lease call for rental payments of \$727 through June 22, 2021. The total copier lease expense for the years ended September 30, 2017 and 2016 was \$8,724 and \$11,604, respectively. Future minimum rents under this lease are as follows:

2018	\$ 8,724
2019	8,724
2020	8,724
2021	<u>6,543</u>
Total	<u>\$32,715</u>

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 11 - TOWER LEASES

Effective June 1, 2011, the Station executed a seven-year lease for tower space. The lease requires a monthly payment of \$13,522 with annual increases of 3.5% effective every June 1st. 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 2022. The lease requires monthly payments of \$1,575. The Station has the right to renew this lease for two additional terms of five years each with a 5% maximum increase per renewal term.

Total lease expense for the years ended September 30, 2017 and 2016 was \$177,436 and \$172,201, respectively.

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

For the year ended
September 30,

2018	\$183,528
2019	116,866
2020	18,900
2021	18,900
2022	<u>14,175</u>
Total	<u>\$352,369</u>

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NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 12 - 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, 2017 and 2016, amounts billed to the Station by the related party totaled \$45,715 and \$46,275, respectively.

NOTE 13 - CONSENT REVENUE

In December, 2015, the Station received \$3,000,000 upon signing of the channel sharing agreement related to the FCC Spectrum Auction. 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.

NOTE 14 - SUBSEQUENT EVENT

There are no subsequent events to report as of January 22, 2018, which is the date the financial statements were available to be issued.