

Financial Statements

**FORT WAYNE PUBLIC TELEVISION, INC.**

*Years ended September 30, 2017 and 2016  
with Independent Auditor's Report*

Fort Wayne Public Television, Inc.

Financial Statements

Years ended September 30, 2017 and 2016

**Contents**

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	7
Notes to Financial Statements.....	8



## 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, 2017 and 2016 and the related statements of activities and changes in net assets, functional expenses 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 Fort Wayne Public Television, 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 accordance with accounting principles generally accepted in the United States of America.

*Haines, Asenbarger & Skiba, LLC*

November 1, 2017

Fort Wayne Public Television, Inc.

Statements of Financial Position

	September 30	
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 421,989	\$ 305,518
Accounts receivable, less allowance of \$1,500 in 2017 and \$4,650 in 2016	71,055	58,465
Current portion of grants and contributions receivable	235,893	311,613
Prepaid expenses	106,978	101,220
Total current assets	835,915	776,816
Property and equipment:		
Land	37,497	37,497
Buildings and improvements	3,740,111	3,740,111
Tower, transmitters and other equipment	5,608,573	5,374,864
Office equipment	445,538	445,538
Vehicles	36,763	36,763
	9,868,482	9,634,773
Less accumulated depreciation	6,400,292	5,759,574
	3,468,190	3,875,199
Grants and contributions receivable, less current portion	49,275	27,363
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	16,664	15,142
Total assets	\$ 4,370,044	\$ 4,694,520
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ -	\$ 37,426
Current portion of capital lease payable	-	4,905
Accounts payable	25,044	30,660
Accrued expenses	102,070	92,689
Total current liabilities	127,114	165,680
Capital lease payable, less current portion	-	8,672
Total liabilities	127,114	174,352
Net assets:		
Unrestricted	4,088,667	4,479,112
Temporarily restricted	140,636	27,429
Permanently restricted	13,627	13,627
Total net assets	4,242,930	4,520,168
Total liabilities and net assets	\$ 4,370,044	\$ 4,694,520

See accompanying notes.

Fort Wayne Public Television, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in net assets</b>								
Support, revenues and gains:								
Contributions	\$ 656,175	\$ -	\$ -	\$ 656,175	\$ 699,046	\$ -	\$ -	\$ 699,046
Grants:								
Corporation for Public Broadcasting	792,005	-	-	792,005	749,662	-	-	749,662
Indiana Department of Education	388,624	-	-	388,624	388,624	-	-	388,624
Empowering Community Connections	-	310,961	-	310,961	20,000	34,026	-	54,026
Program and production revenue	544,112	-	-	544,112	432,583	-	-	432,583
Contributed goods and services	203,072	-	-	203,072	131,067	-	-	131,067
Tower and facility rent	196,332	-	-	196,332	196,160	-	-	196,160
Change in beneficial interest in funds held by the								
Community Foundation of Greater Fort Wayne Inc.	1,522	-	-	1,522	793	-	-	793
Other	26,296	-	-	26,296	8,582	-	-	8,582
Net assets released from restrictions	197,754	(197,754)	-	-	256,284	(256,284)	-	-
Total support, revenues and gains	3,005,892	113,207	-	3,119,099	2,882,801	(222,258)	-	2,660,543
Expenses:								
Program services:								
Broadcast	528,134	-	-	528,134	593,607	-	-	593,607
Production	732,466	-	-	732,466	728,861	-	-	728,861
Program information and outreach	109,867	-	-	109,867	132,164	-	-	132,164
Programming	862,307	-	-	862,307	770,299	-	-	770,299
Studio 39	115,000	-	-	115,000	52,683	-	-	52,683
Total program expenses	2,347,774	-	-	2,347,774	2,277,614	-	-	2,277,614
Fundraising and development	533,729	-	-	533,729	607,950	-	-	607,950
Management and general	514,834	-	-	514,834	386,493	-	-	386,493
Total expenses	3,396,337	-	-	3,396,337	3,272,057	-	-	3,272,057
<b>Increase (decrease) in net assets</b>	(390,445)	113,207	-	(277,238)	(389,256)	(222,258)	-	(611,514)
Net assets at beginning of year	4,479,112	27,429	13,627	4,520,168	4,868,368	249,687	13,627	5,131,682
Net assets at end of year	\$ 4,088,667	\$ 140,636	\$ 13,627	\$ 4,242,930	\$ 4,479,112	\$ 27,429	\$ 13,627	\$ 4,520,168

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2017

	Program Services						Support Services		
	Broadcast	Production	Program Information and Outreach	Programming	Studio 39	Total Program Services	Fundraising and Development	Management and General	Total
<b>Personnel costs</b>									
Salaries and wages	\$ 67,648	\$ 241,990	\$ 45,248	\$ 140,180	\$ 55,543	\$ 550,609	\$ 212,575	\$ 214,038	\$ 977,222
Payroll taxes	4,563	16,385	3,461	10,590	1,969	36,968	18,926	15,488	71,382
Insurance—health/life/LTD	6,499	32,754	501	12,006	(181)	51,579	19,703	24,895	96,177
Commissions	-	17,515	-	35,778	9,163	62,456	6,798	-	69,254
Other	1,924	4,426	1,079	4,969	-	12,398	13,052	14,015	39,465
	<u>80,634</u>	<u>313,070</u>	<u>50,289</u>	<u>203,523</u>	<u>66,494</u>	<u>714,010</u>	<u>271,054</u>	<u>268,436</u>	<u>1,253,500</u>
<b>Development and fundraising</b>									
Premium supplies	-	-	-	-	-	-	42,411	-	42,411
Credit card processing fees	-	-	-	-	-	-	14,251	-	14,251
Member cards	-	-	-	-	-	-	13,025	-	13,025
Other	-	-	-	-	-	-	53,667	-	53,667
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,354</u>	<u>-</u>	<u>123,354</u>
<b>Facilities and equipment</b>									
Utilities	92,265	34,830	6,585	7,532	-	141,212	24,480	12,086	177,778
Leased land	6,718	20,713	3,919	4,478	-	35,828	14,555	5,598	55,981
Leased equipment	500	1,543	292	334	-	2,669	1,060	441	4,170
Maintenance	32,663	26,935	1,666	4,306	18,655	84,225	6,325	74,186	164,736
	<u>132,146</u>	<u>84,021</u>	<u>12,462</u>	<u>16,650</u>	<u>18,655</u>	<u>263,934</u>	<u>46,420</u>	<u>92,311</u>	<u>402,665</u>
<b>Production costs</b>	-	3,688	-	-	23,974	27,662	-	-	27,662
<b>Programming</b>									
PBS National Program Service	-	-	-	527,868	-	527,868	-	-	527,868
Programming—other syndication	-	-	-	48,400	-	48,400	-	-	48,400
	<u>-</u>	<u>-</u>	<u>-</u>	<u>576,268</u>	<u>-</u>	<u>576,268</u>	<u>-</u>	<u>-</u>	<u>576,268</u>
<b>Promotion and outreach</b>	-	-	23,333	-	4,412	27,745	15,671	-	43,416
<b>General and administrative</b>									
Software maintenance/upgrades	2,146	53,954	1,826	12,070	-	69,996	20,260	1,280	91,536
Membership/dues/subscriptions	50	-	25	44,692	-	44,767	1,012	13,427	59,206
Liability insurance	-	-	-	-	-	-	-	9,500	9,500
Other	(1,188)	2,372	14,942	1,042	1,465	18,633	29,996	119,884	168,513
	<u>1,008</u>	<u>56,326</u>	<u>16,793</u>	<u>57,804</u>	<u>1,465</u>	<u>133,396</u>	<u>51,268</u>	<u>144,091</u>	<u>328,755</u>
Depreciation	314,346	275,361	6,990	8,062	-	604,759	25,962	9,996	640,717
Total expenses	<u>\$ 528,134</u>	<u>\$ 732,466</u>	<u>\$ 109,867</u>	<u>\$ 862,307</u>	<u>\$ 115,000</u>	<u>\$ 2,347,774</u>	<u>\$ 533,729</u>	<u>\$ 514,834</u>	<u>\$ 3,396,337</u>

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2016

	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	\$ 116,310	\$ 261,949	\$ 47,274	\$ 90,570	\$ 19,717	\$ 535,820	\$ 217,522	\$ 210,194	\$ 963,536
Payroll taxes	7,940	17,312	3,616	6,830	1,493	37,191	19,676	14,572	71,439
Insurance—health/life/LTD	3,417	35,377	3,242	7,632	2,069	51,737	25,462	21,197	98,396
Commissions	-	14,683	-	37,279	5,249	57,211	5,308	-	62,519
Other	4,049	5,812	3,440	2,837	19	16,157	8,028	4,778	28,963
	131,716	335,133	57,572	145,148	28,547	698,116	275,996	250,741	1,224,853
<b>Development and fundraising</b>									
Premium supplies	-	-	-	-	-	-	73,991	-	73,991
Credit card processing fees	-	-	-	-	-	-	13,038	-	13,038
Member cards	-	-	-	-	-	-	4,864	-	4,864
Other	-	-	-	-	-	-	70,787	-	70,787
	-	-	-	-	-	-	162,680	-	162,680
<b>Facilities and equipment</b>									
Utilities	75,003	35,992	6,350	7,021	45	124,411	23,760	14,078	162,249
Leased land	6,718	20,713	3,919	4,478	-	35,828	14,555	5,598	55,981
Leased equipment	510	1,261	360	390	-	2,521	2,955	450	5,926
Maintenance	36,806	48,450	5,761	5,127	1,100	97,244	22,169	10,569	129,982
	119,037	106,416	16,390	17,016	1,145	260,004	63,439	30,695	354,138
<b>Production costs</b>	-	4,173	-	-	1,652	5,825	-	-	5,825
<b>Programming</b>									
PBS National Program Service	-	-	-	524,990	-	524,990	-	-	524,990
Programming—other syndication	-	-	-	38,274	-	38,274	-	-	38,274
	-	-	-	563,264	-	563,264	-	-	563,264
<b>Promotion and outreach</b>	-	-	34,911	-	1,716	36,627	10,335	-	46,962
<b>General and administrative</b>									
Software maintenance/upgrades	15,912	25,162	10,118	784	783	52,759	37,488	913	91,160
Membership/dues/subscriptions	-	-	-	32,982	-	32,982	2,147	39,564	74,693
Liability insurance	282	871	165	188	-	1,506	612	8,776	10,894
Other	7,566	12,863	6,260	3,205	18,840	48,734	30,189	42,955	121,878
	23,760	38,896	16,543	37,159	19,623	135,981	70,436	92,208	298,625
Depreciation	319,094	244,243	6,748	7,712	-	577,797	25,064	12,849	615,710
Total expenses	\$ 593,607	\$ 728,861	\$ 132,164	\$ 770,299	\$ 52,683	\$ 2,277,614	\$ 607,950	\$ 386,493	\$ 3,272,057

See accompanying notes.



Fort Wayne Public Television, Inc.

Statements of Cash Flows

	<b>Year ended September 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Decrease in net assets	\$ (277,238)	\$ (611,514)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	640,717	615,710
(Gain) loss on sale of property and equipment	(17,300)	489
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(1,522)	(793)
Changes in operating assets and liabilities:		
Accounts receivable	(12,590)	17,661
Prepaid expenses	(5,758)	(20,909)
Grants and contributions receivable	53,808	351,452
Accounts payable	(5,616)	228
Accrued expenses	9,381	(7,126)
Deferred contract revenue	-	(21,809)
Net cash provided by operating activities	<b>383,882</b>	<b>323,389</b>
<b>Investing activities</b>		
Proceeds from sale of property and equipment	17,300	20,000
Purchases of property and equipment	(233,708)	(225,255)
Net cash used in investing activities	<b>(216,408)</b>	<b>(205,255)</b>
<b>Financing activities</b>		
Repayment of long-term debt	(37,426)	(469,812)
Repayment of capital lease payable	(13,577)	(4,562)
Net cash used in financing activities	<b>(51,003)</b>	<b>(474,374)</b>
Increase (decrease) in cash and cash equivalents	116,471	(356,240)
Cash and cash equivalents at beginning of year	305,518	661,758
Cash and cash equivalents at end of year	<b>\$ 421,989</b>	<b>\$ 305,518</b>
Interest paid	\$ 2,404	\$ 9,316

*See accompanying notes.*

# Fort Wayne Public Television, Inc.

## Notes to Financial Statements

September 30, 2017

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

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

*PBS39 engages our community through content and collaborations that educate, inform, inspire and entertain.*

The Station operates northeast Indiana's only locally owned-and-operated non-commercial public television station. It is an affiliated member of the nationwide network of public television stations known as the Public Broadcasting Service (PBS). PBS39 broadcasts daily over four channels: PBS39/Channel 39.1; PBS39 Kids/Channel 39.2; CreateTV/Channel 39.3 and 39Explore/Channel 39.4.

PBS39 produces, promotes and broadcasts public television educational, informational, cultural and/or entertaining programming to the viewing area. This includes but is not limited to nationally distributed programming, as well as local call-in shows, documentaries, and arts programs.

Operational highlights include: 1) PBS39's production staff worked with independent producer Harriet Unger to create a national PBS pledge show, *How to Play the Ukulele with the Atomic Sharks*; 2) PBS39 hosted preview screenings, panel discussions and local call-in programs connecting the region to the national broadcast of Ken Burns' *The Vietnam War* documentary; 3) a new PBS39 app was launched that streams PBS39's 24-hour children's channel in real time, provides scheduling information and access to on demand video through PBS39 Passport.

The Federal Communications Commission completed its broadcast incentive auction during the year ended September 30, 2017, which repurposed broadcast airwaves for nationwide wireless mobile use. The FCC has now begun a process called "repacking" to move TV stations to new channels. PBS39 must move from Channel 40 to Channel 18 by October 2019. Budgetary, technical and construction filings began during the year ended September 30, 2017.

PBS39 has raised \$2.460 million of its \$2.675 million goal for *Empowering Community Connections*, a campaign to update all broadcast operations to High Definition (HD) technology. Only \$115,000 remains to complete the buildout of the station's HD remote production truck, which will deliver artistic, civic, educational and public affairs programs on location in HD to everyone, including families in the region who may not be able to attend such events in person. Beyond broadcast, the remote truck will also provide production opportunities that will contribute to PBS39's financial sustainability. PBS39 seeks funders to finish this capital effort.

## Fort Wayne Public Television, Inc.

### Notes to Financial Statements (continued)

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

The station's new strategic plan, approved during the year ended September 30, 2017, provides direction for departmental activities going forward, contributing to the success of the entire organization in its work to connect national programming with local audiences, educational programming with students and teachers, and community arts, events, issues and ideas with audiences regionally and statewide. As a trusted community partner, PBS39 will be a primary focal point for the advancement of arts and culture, history, education, and quality of life in our community.

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, 2014.

#### **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 \$16,418 and \$32,362 at September 30, 2017 and 2016, 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, 2017 or 2016. 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. During the year ended September 30, 2016, the Board of Directors initiated a program to accumulate funds to be used for future information technology needs. These funds have been included in Unrestricted—Board Designated net assets on the Statement of Financial Position.

## 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 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, 2017 and 2016, 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 \$203,072 and \$131,067, 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.

##### **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.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

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

**Advertising Expenses**

Advertising costs are charged to operations when incurred. Advertising costs were \$29,604 and \$38,029 for the years ended September 30, 2017 and 2016, respectively.

**Concentration of Credit Risk**

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 25 and 28 percent of revenue during the years ended September 30, 2017 and 2016, respectively. Revenue from the Indiana Department of Education was 12 percent of revenue and 15 percent of revenue during the years ended September 30, 2017 and 2016, respectively. Other significant sources of revenue include foundations and individual viewers.

**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.

**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 1.47 percent and 0.5 percent for the years ended September 30, 2017 and 2016, respectively. The Station's grants and contributions receivable are as follows:

	<b>September 30</b>	
	<b>2017</b>	<b>2016</b>
Amounts due in:		
Less than one year	<b>\$ 240,164</b>	\$ 319,368
One to five years	<b>50,000</b>	27,500
Gross grants and contributions receivable	<b>290,164</b>	346,868
Less allowance	<b>4,271</b>	7,755
Less discount for present value	<b>725</b>	137
Net grants and contributions receivable	<b>\$ 285,168</b>	\$ 338,976

## Fort Wayne Public Television, Inc.

### Notes to Financial Statements (continued)

#### **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 \$16,664 and \$15,142 at September 30, 2017 and 2016, respectively, 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 \$15,071 and \$12,789 at September 30, 2017 and 2016, respectively, 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.

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.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**4. Endowment Funds (continued)**

**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.

Endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	<b>Temporarily</b>	<b>Permanently</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	<u>\$ 3,037</u>	<u>\$ -</u>	<u>\$ 13,627</u>	<u>\$ 16,664</u>



Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**4. Endowment Funds (continued)**

Changes in endowment net assets for the year ended September 30, 2017 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 1,515	\$ -	\$ 13,627	\$ 15,142
Investment return:				
Investment income, net	315	-	-	315
Realized and unrealized gain on investments, net	1,207	-	-	1,207
Total investment return	1,522	-	-	1,522
Endowment net assets at end of year	\$ 3,037	\$ -	\$ 13,627	\$ 16,664

Endowment net asset composition by type of fund as of September 30, 2016 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 1,515	\$ -	\$ 13,627	\$ 15,142

Changes in endowment net assets for the year ended September 30, 2016 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 722	\$ -	\$ 13,627	\$ 14,349
Investment return:				
Investment income, net	303	-	-	303
Realized and unrealized gain on investments, net	490	-	-	490
Total investment return	793	-	-	793
Endowment net assets at end of year	\$ 1,515	\$ -	\$ 13,627	\$ 15,142

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**5. Debt Arrangements**

Pursuant to a revolving line of credit arrangement with a bank, the Station may borrow up to \$200,000, subject to certain terms and conditions. The line of credit arrangement expires on April 1, 2018. Interest is payable monthly at the bank's prime rate plus 0.75 percent but may not be lower than 4 percent (5 percent at September 30, 2017). There were no borrowings pursuant to this line of credit arrangement at September 30, 2017 and 2016.

Pursuant to a second line of credit arrangement with a bank, the Station may borrow up to \$500,000, subject to certain terms and conditions. The line of credit arrangement expires on April 1, 2018. Interest is payable monthly at the bank's prime rate plus 0.75 percent but may not be lower than 4 percent (5 percent at September 30, 2017). There were no borrowings pursuant to this line of credit arrangement at September 30, 2017.

Pursuant to an arrangement with a bank, the Station may borrow up to \$1,000,000, subject to certain terms and conditions. The arrangement expires on May 15, 2018. Interest is payable monthly at 4 percent, and principal is payable quarterly based on the receipt of pledges receivable. Borrowings pursuant to this arrangement were \$37,426 at September 30, 2016. The outstanding balance at September 30, 2016 was repaid in full during the year ended September 30, 2017.

Substantially all of the Station's receivables, equipment and certain other assets are pledged as collateral pursuant to the terms of the loan agreements.

**6. Net Assets**

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

	<b>September 30</b>	
	<b>2017</b>	<b>2016</b>
Empowering Community Connections	<u>\$ 140,636</u>	<u>\$ 27,429</u>

Temporarily restricted net assets released from donor restrictions of \$197,754 and \$256,284 for the years ended September 30, 2017 and 2016, respectively, were the result of incurring expenses or costs to satisfy the restricted purposes.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**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 suspended in February 2009 and reinstated in July 2016. The Station's contributions to the plan were \$11,135 and \$3,168 for the year ended September 30, 2017 and 2016, respectively.

**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 \$55,981 for the years ended September 30, 2017 and 2016, respectively and was recorded as contributed goods and services.

The Station leased office equipment pursuant to an operating lease that expired in May 2017. Total lease expense was \$60,150 and \$61,907 for the years ended September 30, 2017 and 2016, respectively.

**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 2017 through 2032. Future minimum lease receipts as of September 30, 2017 pursuant to operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

Year ended September 30, 2018	\$ 203,546
Year ended September 30, 2019	175,284
Year ended September 30, 2020	179,207
Year ended September 30, 2021	164,370
Year ended September 30, 2022	162,239
Thereafter	269,719
Total minimum payments	<u>\$ 1,154,365</u>

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**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 November 1, 2017, the date on which the financial statements were available to be issued.