METROPOLITAN INDIANAPOLIS PUBLIC BROADCASTING, INC.

CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Metropolitan Indianapolis Public Broadcasting, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Indianapolis Public Broadcasting, Inc., which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Indianapolis Public Broadcasting, Inc. as of September 30, 2015 and 2014, 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.

(Continued)

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2015 consolidating statement of financial position and 2015 consolidating statement of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
February 2, 2016

METROPOLITAN INDIANAPOLIS PUBLIC BROADCASTING, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash	$ 592,685	$ 290,391
Designated cash and cash equivalents	-	12,406
Total cash and cash equivalents	592,685	302,797
Accounts and grants receivable (less allowance of $13,250 for 2015 and 2014)	499,208	897,921
Contributions receivable, net (Note 2)	382,083	168,834
Prepaid expenses	213,423	122,779
Total current assets	1,687,399	1,492,331
Non-current assets		
Contributions receivable, net (Note 2)	141,892	66,123
Investments (Note 3)	3,010,266	3,208,114
Beneficial interest in assets held by Community Foundation (Note 4)	228,594	239,998
Property and equipment, net (Note 5)	11,358,770	12,221,232
Total non-current assets	14,739,522	15,735,467
Total assets	$ 16,426,921	$ 17,227,798
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 549,180	$ 606,415
Accrued salaries and wages	392,612	386,737
Unearned underwriting revenue	99,729	118,836
Line-of-credit (Note 6)	400,000	500,000
Note payable (Note 6 & 11)	67,500	67,500
Other liabilities	44,394	21,894
Total current liabilities	1,553,415	1,701,382
Non-current liabilities		
Note payable (Note 6 & 11)	1,198,125	1,265,625
Net assets		
Unrestricted	12,189,861	13,016,961
Temporarily restricted (Note 7)	285,769	44,079
Permanently restricted (Note 8)	1,199,751	1,199,751
Total net assets	13,675,381	14,260,791
Total liabilities and net assets	$ 16,426,921	$ 17,227,798

See accompanying notes to consolidated financial statements.

METROPOLITAN INDIANAPOLIS PUBLIC BROADCASTING, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended September 30, 2015 with summary totals for the year ended 2014

	2015				
	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total	2014 Total
SUPPORT AND REVENUE					
Public support	$ 6,131,198	$ -	$ -	$ 6,131,198	$ 6,250,593
Grant revenue	2,749,897	736,617	-	3,486,514	3,083,063
FYI Productions revenue	481,612	-	-	481,612	355,208
Special events revenue	280,484	-	-	280,484	238,157
Capital campaign support	289,518	463,680	-	753,198	865,826
Rent revenue	463,287	-	-	463,287	486,223
Other support	232,285	-	-	232,285	538,509
	-	-	-	-	-
Investment return (Note 3)	(72,482)	11,490	-	(60,992)	205,551
Change in interest rate swap value	-	-	-	-	43,368
Net assets released from restriction	970,097	(970,097)	-	-	-
Total support and revenue	11,525,896	241,690	-	11,767,586	12,066,498
EXPENSES					
Program services:					
Programming and production	5,754,212	-	-	5,754,212	5,302,319
Broadcasting	1,355,142	-	-	1,355,142	1,462,120
Program information	611,548	-	-	611,548	710,847
Total program services	7,720,902	-	-	7,720,902	7,475,286
Supporting services:					
Fundraising and membership	2,498,763	-	-	2,498,763	2,447,176
Management and general	1,449,912	-	-	1,449,912	1,680,105
Facility rentals and costs	683,419	-	-	683,419	1,019,497
Total support services	4,632,094	-	-	4,632,094	5,146,778
Total expenses	12,352,996	-	-	12,352,996	12,622,064
Change in net assets from operations	(827,100)	241,690	-	(585,410)	(555,566)
Gain on forgiveness of debt (Note 11)	-	-	-	-	5,388,022
Change in net assets	(827,100)	241,690	-	(585,410)	4,832,456
Net assets, beginning of year	13,016,961	44,079	1,199,751	14,260,791	9,428,335
Net assets, end of year	$ 12,189,861	$ 285,769	$ 1,199,751	$ 13,675,381	$ 14,260,791

See accompanying notes to consolidated financial statements.

METROPOLITAN INDIANAPOLIS PUBLIC BROADCASTING, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended September 30, 2014

	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	2014 Total
SUPPORT AND REVENUE				
Public support	$ 6,250,593	$ -	$ -	$ 6,250,593
Grant revenue	3,083,063	-	-	3,083,063
FYI Productions revenue	355,208	-	-	355,208
Special events revenue	238,157	-	-	238,157
Capital campaign support	759,799	106,027	-	865,826
Rent revenue	486,223	-	-	486,223
Other support	538,509	-	-	538,509
Loss on disposal of property and equipment	-	-	-	-
Investment return (Note 3)	134,896	70,655	-	205,551
Change in interest rate swap value	43,368	-	-	43,368
Net assets released from restriction	965,782	(965,782)	-	-
Total support and revenue	12,855,598	(789,100)	-	12,066,498
EXPENSES				
Program services:				
Programming and production	5,302,319	-	-	5,302,319
Broadcasting	1,462,120	-	-	1,462,120
Program information	710,847	-	-	710,847
Total program services	7,475,286	-	-	7,475,286
Supporting services:				
Fundraising and membership	2,447,176	-	-	2,447,176
Management and general	1,680,105	-	-	1,680,105
Facility rentals and costs	1,019,497	-	-	1,019,497
Total support services	5,146,778	-	-	5,146,778
Total expenses	12,622,064	-	-	12,622,064
Change in net assets from operations	233,534	(789,100)	-	(555,566)
Gain on forgiveness of debt (Note 11)	5,388,022	-	-	5,388,022
Change in net assets	5,621,556	(789,100)	-	4,832,456
Net assets, beginning of year	7,395,405	833,179	1,199,751	9,428,335
Net assets, end of year	$ 13,016,961	$ 44,079	$ 1,199,751	$ 14,260,791

See accompanying notes to consolidated financial statements.

METROPOLITAN INDIANAPOLIS PUBLIC BROADCASTING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (585,410)	$ 4,832,456
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,196,218	1,267,356
Provision for bad debts	24,467	11,645
Amortization of deferred financing costs	-	7,230
Gain on interest rate swap	-	(14,582)
Net realized and unrealized (gains) losses on investments	214,095	(73,792)
Change in beneficial interest of assets held by Community Foundation	11,404	(25,733)
Gain on forgiveness of debt	-	(5,388,022)
Changes in certain assets and liabilities:		
Accounts and grants receivable	393,838	92,474
Contributions receivable	(308,610)	263,657
Prepaid expenses	(90,644)	(458)
Accounts payable	(57,235)	(206,389)
Other liabilities	9,268	(314,286)
Net cash flows from operating activities	807,391	451,556
Cash flows from investing activities		
Purchase of property and equipment	(333,756)	(581,060)
Purchase of investments	(811,372)	(1,542,070)
Proceeds from sale of investments	795,125	978,169
Net cash flows from investing activities	(350,003)	(1,144,961)
Cash flows from financing activities		
Borrowings on debt	-	1,350,000
Payments on debt	(67,500)	(1,195,116)
Borrowings on line-of-credit	100,000	500,000
Payments on line-of-credit	(200,000)	-
Net settlements on interest rate swap	-	(28,786)
Net cash flows from financing activities	(167,500)	626,098
Net change in cash and cash equivalents	289,888	(67,307)
Cash and cash equivalents, beginning of year	302,797	370,104
Cash and cash equivalents, end of year	$ 592,685	$ 302,797
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 15,228	$ 453,485
In-kind contributions	407,506	418,180

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Metropolitan Indianapolis Public Broadcasting, Inc. ("MIPB") is a nonprofit corporation which operates a noncommercial public television station ("WFYI") and a public radio station ("WFYI/FM") in Indianapolis, Indiana.

The consolidated financial statements include MIPB, WFYI Foundation, Inc. (the "Foundation"), and MIPB Media Center LLC ("LLC"). All significant intercompany transactions and accounts have been eliminated.

WFYI Foundation, Inc.: MIPB formed the Foundation for the purpose of holding certain investments and soliciting contributions on behalf of MIPB. The Foundation Board of Directors includes certain directors of MIPB, and its bylaws require that all contributions and earnings on invested assets are for the benefit of MIPB. Accordingly, the accounts of the Foundation have been consolidated herein, as required by accounting principles generally accepted in the United States of America.

MIPB Media Center LLC: MIPB formed the LLC for the purpose of participating in the New Market Tax Credit Program. The LLC is wholly owned by MIPB. Accordingly, the accounts of the LLC have been consolidated herein, as required by the accounting principles generally accepted in the United States of America.

Income Taxes: MIPB and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Additionally, MIPB and the Foundation have been determined not to be private foundations under Section 509(a) of the Internal Revenue Code. The LLC is a pass-through taxable entity, and any related taxable activity will flow through to the parent companies as unrelated business income (loss). Tax expense for the years ended September 30, 2015 and 2014 is $0.

Current accounting standards require MIPB to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended September 30, 2015 and 2014, management has determined that MIPB does not have any tax positions that result in any uncertainties regarding the possible impact on MIPB's financial statements.

MIPB does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. MIPB recognizes interest and/or penalties related to income tax matters in income tax expense. MIPB did not have any amounts accrued for interest and penalties at September 30, 2015 and 2014.

Net Asset Classifications: The classification of MIPB's net assets and its support, revenues, expenses, gains, and losses is based on the existence or absence of donor-imposed restrictions. Restricted net assets are released from restrictions when donor-imposed restrictions are met or the stipulated time period has elapsed. The following classes of net assets are presented:

- Unrestricted Operating - Includes all funds that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily Restricted - Includes funds whose use by MIPB is subject to donor-imposed stipulations that can be fulfilled by actions of MIPB pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted - Includes funds subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by MIPB.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: MIPB considers investments in marketable securities and other highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents managed by outside investment managers are included in investments. Designated cash and cash equivalents consist of certain capital campaign proceeds to be used for future capital expenditures. Cash balances held in financial institutions are federally insured up to $250,000 per institution by the Federal Deposit Insurance Corporation. At times, MIPB maintains cash balances at various financial institutions in excess of this insurance limit.

Concentrations of Credit Risk: Financial instruments which potentially subject MIPB to concentrations of credit risk consist primarily of cash, investments, accounts receivable and contributions receivable. Investments are primarily comprised of mutual funds invested in common stocks and bonds. These investments are susceptible to fluctuations in the market.

Accounts and Grants Receivable: The accounts and grants receivable balance consists of amounts billed or billable for underwriting, rent, government grants and other miscellaneous revenues, net of an allowance for doubtful accounts. Interest is not charged on outstanding accounts and grants receivable.

Contributions Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risk applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Allowance for Uncollectible Contributions Receivable: MIPB uses an allowance for doubtful accounts to estimate for uncollectible contributions receivable based on past experience and payment history.

Allowance for Doubtful Accounts: The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with collection policies.

Investments: Investments are reported at fair value with realized and unrealized gains and losses reflected in the consolidated statement of activities.

Property and Equipment: Property and equipment with an original cost basis of $2,500, or greater, is capitalized and amounts under $2,500 are expensed. Depreciation is provided on the straight-line method over the estimated useful lives of the related asset (3-40 years).

Impairment of Long-Lived Assets: On an ongoing basis, MIPB reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. MIPB recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of September 30, 2015 and 2014, management believes that no impairments exist.

Deferred Financing Costs: All fees and other direct costs relative to the issuance of debt have been recorded as an asset and amortized over the life of the related agreements using the straight line method, which approximates the effective interest rate method.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

MIPB reports gifts of land, buildings and equipment at fair value at the date of donation. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Fees for facility and equipment use and other telecommunication services are recorded as revenue when the related services have been provided. Underwriting revenue relating to programs not yet broadcast are reported as deferred revenue.

In-kind Contributions: In addition to receiving cash contributions, MIPB receives in-kind contributions from various donors, primarily in support of special events and MIPB's capital campaign. It is the policy of the MIPB to record the estimated fair value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the years ended September 30, 2015 and 2014, in-kind contributions totaled $407,506 and $418,180.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Management's Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to September 30, 2015 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2015. Management has performed their analysis through February 2, 2016, the date the financial statements were available to be issued.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

The following represents contributions receivable balances at September 30:

	2015	2014
Currently due	$ 382,083	$ 168,834
Due in one to five years	184,134	80,057
	566,217	248,891
Unamortized discount	(14,015)	(3,453)
Allowance	(28,227)	(10,481)
Total contributions receivable, net	$ 523,975	$ 234,957

(Continued)

NOTE 2 - CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable are presented on the statement of financial position as follows:

	2015	2014
Current, net of allowance	$ 382,083	$ 168,834
Non-current, net of allowance and discount	141,892	66,123
	$ 523,975	$ 234,957

Qualifying contributions receivable were discounted at a discount rate of 4% at September 30, 2015 and 2014.

During 2011, MIPB Board of Directors unanimously approved the "Amplifying the Voices of the Community" capital campaign with a goal of $14.5 million. The campaign planned to raise $2,300,000 for Future Fund endowment growth, $3,550,000 for facilities and $8,650,000 for technology and equipment. During 2014, the campaign was re-evaluated by the MIPB Board of Directors and a revised goal of $8.5 million for facility improvements and technical equipment was approved. As of September 30, 2015 and 2014, contributions totaling approximately $4,200,000 and $3,500,000 respectively, have been raised for the campaign.

NOTE 3 - INVESTMENTS

Investments as of September 30 are as follows:

	2015	2014
Money market funds	$ 9,421	$ 199,374
Common stock	-	483
Corporate bonds	6,859	7,117
Mutual funds- equities	1,819,490	1,707,604
Mutual funds - fixed income	782,600	829,065
Mutual funds - international	391,896	464,471
	$ 3,010,266	$ 3,208,114

Investment return for the year ended September 30 is as follows:

	2015	2014
Interest and dividends, net of fees of $23,715 and $20,796 for 2015 and 2014	$ 164,507	$ 106,026
Realized gain on investments	24,754	5,061
Unrealized gain (loss) on investments	(238,849)	68,731
Change in beneficial interest	(11,404)	25,733
Total investment return	$ (60,992)	$ 205,551

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

During 2005, the Foundation transferred $200,000 to the Central Indiana Community Foundation, Inc. (CICF) for investment in CICF's pooled endowment. Variance power was transferred to CICF. The Foundation may withdraw up to 5% of the fund's balance annually. This asset transfer is recorded as a beneficial interest in assets held by Community Foundation in the accompanying statement of financial position. The fair value of this beneficial interest at September 30, 2015 and 2014 was $228,594 and $239,998, and the changes in value of beneficial interest of $(11,404) and $25,733 are included in the investment return.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 is as follows:

	2015	2014
Land	$ 734,200	$ 734,200
Transmitter and studio equipment	6,475,517	6,608,518
Building and improvements	12,938,257	12,648,580
Furniture and office equipment	1,267,750	1,262,345
Tower and antenna	1,244,964	1,231,017
Vehicles	42,240	42,240
	22,702,928	22,526,900
Less: Accumulated depreciation	(11,344,158)	(10,305,668)
Property and equipment, net	$ 11,358,770	$ 12,221,232

Depreciation expense for the years ended September 30, 2015 and 2014 was $1,196,218 and $1,267,356, respectively.

NOTE 6 - DRAW AGREEMENT & LINE OF CREDIT

During 2014, MIPB entered into a term loan agreement with a bank that provided for a borrowing of $1,350,000. The agreement bears interest at the daily LIBOR rate plus .75% (.94%, at September 30, 2015) and currently matures on June 26, 2024. The term loan agreement is collateralized by certain investment securities. The term loan agreement requires MIPB to meet certain financial and non-financial covenants. At September 30, 2015, MIPB reported compliance with all covenants. MIPB had outstanding borrowings of $1,265,625 and $1,333,125 as of September 30, 2015 and 2014, respectively. Payments are due monthly, which began in July 2014, for $5,625, and a final installment due upon maturity. Notes payable are presented in the consolidated statement of financial position as of September 30 are as follows:

	2015	2014
Current	$ 67,500	$ 67,500
Non-current	1,198,125	1,265,625
	$ 1,265,625	$ 1,333,125

(Continued)

NOTE 6 - DRAW AGREEMENT & LINE OF CREDIT (Continued)

Scheduled principal repayments for the next 5 years and thereafter are as follows:

2016	$ 67,500
2017	67,500
2018	67,500
2019	67,500
2020	67,500
Thereafter	928,125
	$ 1,265,625

MIPB has a line-of-credit agreement with a bank that provided for a maximum borrowing of $750,000. The agreement bore interest at the daily LIBOR rate plus .75% (.94%), at September 30, 2015 and matures on June 25, 2016. The line-of-credit is collateralized by certain investment securities. The line-of-credit agreement requires MIPB to meet certain financial and non-financial covenants in relation to the term loan agreement. At September 30, 2015, MIPB reported compliance with all covenants. MIPB had outstanding borrowings of $400,000 and $500,000 as of September 30, 2015 and 2014, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30 are as follows:

	2015	2014
Education reporting	$ 69,550	$ -
Strategic growth initiatives	19,908	-
Programming	196,311	-
Endowment	-	44,079
	$ 285,769	$ 44,079

Purpose restrictions accomplished:

	2015	2014
Education reporting	$ 297,067	$ -
Strategic growth initiatives	467,772	920,357
Programming	149,689	-
Endowment	55,569	45,425
Total net assets released from restriction	$ 970,097	$ 965,782

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of September 30, 2015 and 2014 totaling $1,199,751 include contributions that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income used for current operations.

(Continued)

NOTE 9 - OPERATING LEASES

Lessor:

The LLC owns the building at 1630 North Meridian Street. The LLC leases the entire building to MIPB under a master lease agreement that expired in April 2014. From that date forward, the LLC provided free rent to MIPB, which was recorded as in-kind revenue and in-kind expense on both MIPB and the LLC in the amount of $770,000 and $335,000 for the year ended September 30, 2015 and 2014. This amount is eliminated in consolidation.

MIPB has entered into sub-leases with other non-related outside tenants. After the expiration of the master lease agreement between MIPB and the LLC, MIPB assigned their interest in the sub-lease agreements to LLC. At that point, the revenue from the sublease agreements was recognized by the LLC. Prior to the expiration of the master lease agreement between MIPB and the LLC in April 2014, lease payments were due from MIPB to the LLC. These amounts are eliminated on the consolidated statement of activities. Therefore, they were not included on the schedule of future minimum annual payments.

Portions of buildings are rented under noncancelable operating leases to outside parties which expire at various dates through 2020. Rental income from these leases was $463,287 and $486,222 for the years ended September 30, 2015 and 2014.

Minimum annual payments receivable under the operating leases as of September 30, 2015 are as follows:

Year Ending September 30	
2016	$ 490,525
2017	471,490
2018	442,410
2019	327,228
2020	160,513
Thereafter	6,588
	$ 1,898,754

Lessee:

MIPB rents equipment under noncancelable operating leases. Operating lease expense was $81,490 and $76,226 for the years ended September 30, 2015 and 2014. MIPB has the following operating lease commitments as of September 30, 2015:

Year Ending September 30	
2016	$ 83,488
2017	84,189
2018	22,312
	$ 189,989

NOTE 10 - DEFINED CONTRIBUTION PLAN

MIPB has a defined contribution retirement savings plan which covers substantially all employees. Participants may contribute up to 20% of their gross compensation annually. MIPB may contribute an amount as determined by the Board of Directors. Expense for the year ended September 30, 2015 and 2014 was $52,751 and $60,071, respectively.

NOTE 11 - NOTE PAYABLE

A summary of notes payable and related items at September 30, 2015 and 2014 is as follows:

New Market Tax Credits:

During 2007, MIPB participated in the New Market Tax Credits (NMTC) Program administered by the United States Treasury Department. The NMTC Program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. MIPB qualified due to the location of the new building at 1630 North Meridian Street. The NMTC was completed in April 2014. The legal structure and financing mechanisms are described below.

In February 2007, MIPB loaned $13,100,000 of assets to Stonehenge Community Development V Investment Company, LLC, which owns a 99.99% equity interest in Stonehenge Community Development V LLC (the CDE). Beginning in April 2007, MIPB started receiving interest payments from the CDE quarterly. Interest accrued on the $13,100,000 loan at 5.85%.

The CDE then loaned $20,200,000 of assets to MIPB Media Center LLC, consisting of the $13,100,000 from MIPB and an additional $7,100,000 of funds representing Fifth Third Bank's interest in Stonehenge Community Development V Investment Company, LLC. The amount was $0 at September 30, 2014, as the NMTC program was completed and the debt was extinguished due to the merger of debtor and creditor.

This $20,200,000 “interest only” loan accrued interest at two different rates. Of the loan amount, $19,087,280 accrued interest at 3.12%, and the remaining $1,112,720 accrued interest using the three month forward LIBOR rounded upward to the nearest 1/16 of a percent plus 2.98%.

MIPB had entered into an agreement to purchase the above-mentioned $1,112,720 loan from Fifth Third Bank by making annual payments of $158,960, due April 5 in each year beginning in 2008, and continuing until the loan is 100% owned after final payment on April 5, 2014. In April 2014, MIPB purchased the remaining loan balance from Fifth Third to own 100% of the loan.

In connection with the completion of the seven year NMTC period, Fifth Third Bank and the CDE exercised the right to obligate MIPB to purchase the remaining interest in all outstanding debt for $898,709.

Once the purchase transaction described above was executed for $898,709, the difference between the total amount of debt outstanding and the scheduled principal repayments of $5,192,334 of debt was owned by MIPB. At that point, the debt was extinguished due to the merger of debtor and creditor.

(Continued)

NOTE 11 - NOTE PAYABLE (Continued)

The completion of the NMTC Program resulted in the extinguishment of debt through the merger of debtor and creditor, resulting in a gain on the forgiveness of debt recognized by MIPB Media Center LLC of $19,182,096 and a loss on the forgiveness of debt by MPIB of $13,794,074. The net amount of the NMTC Program completion was a gain on the forgiveness of debt of $5,388,022 and is reflected in the consolidated statement of activities for the year ended September 30, 2014.

Interest Payments: MIPB Media Center LLC was required to make quarterly interest payments on all outstanding debt. Combined with the effect of the rate swap agreement described below, quarterly interest on the $20,200,000 note was approximately $160,000 during 2014. These quarterly interest payments were made through January 1, 2014, with the final payment on April 1, 2014 in the approximate amount of $158,000. Approximately $32,750 of each quarterly payment was then paid to MIPB by the CDE as interest on the portion of the $20,200,000 note that is owned by MIPB. The interest received by MIPB was eliminated in consolidation.

Interest Rate Swap: During February 2007, MIPB Media Center LLC entered into a seven-year, one and one half month LIBOR three month forward swap at the rate of 5.36% on $1,112,720 of the debt. MIPB Media Center LLC entered into the interest rate swap agreement to make fixed interest payments in exchange for variable interest payments. The interest rate swap was used to mitigate risk to changes in rates during the life of the debt, and to reduce the risk that changes in interest rates will affect the ability to make payments. The average rate on this debt, per the original terms, was 0.245% for fiscal year 2014. The average rate paid to the counterparty 2014 was 5.115% and the average total interest rate paid by the LLC was 5.36%. The notional amount of the interest rate swap did not represent amounts exchanged by the parties. The amount exchanged was determined by reference to the notional amount and the other terms of the interest rate swap.

This interest rate swap had been designated as a cash flow hedge of long-term debt to, in effect, convert the quarterly variable rate to a fixed rate of 5.36%. The aggregate fair value of the swap was recorded as a component of other liabilities, with changes in fair value recorded as a component of change in net assets. During 2014, in connection with the completion of the NMTC Program, the interest rate swap was extinguished and a gain of $43,368 was recognized as the change in the fair value of the interest rate swap and is included as a component of change in net assets.

Foundation Loan:

In order to obtain the required $13,100,000 of assets for participation in the NMTC Program, the Foundation loaned MIPB additional funds of $192,866. This amount accrued interest at 8.3%. All inter-company transactions related to this have been fully eliminated in the consolidated balance sheet and consolidated schedule of activities. The loan was repaid by MIPB during 2014.

In May 2015, MIPB entered into a $70,000 promissory agreement with the Foundation. MIPB agreed to pay the Foundation the principal sum of $70,000, with interest payable on the unpaid principal at the rate of 4.25% per annum. The note will be repaid in 20 consecutive quarterly installments of $3,903, which began in May 2015 and continuing until February 2020, with the balance remaining owed at that time. As of September 30, 2015, the outstanding balance was $63,647, for which all inter-company transactions related to this have been fully eliminated in the consolidated balance sheet and consolidated statement of activities.

Interest expense on all notes payable totaled $15,228 and $290,071 for the years ended September 30, 2015 and 2014, respectively.

(Continued)

NOTE 11 - NOTE PAYABLE (Continued)

The loan agreements required MIPB to meet certain financial and non-financial covenants, which include restrictions on future indebtedness, capital expenditures, as well as meeting certain payment-coverage ratios.

NOTE 12 - RELATED PARTIES

Transactions between MIPB, the Foundation, and the LLC are eliminated in financial statement consolidation. MIPB periodically enters into business transactions with outside vendors that employ or are owned by members of the Board of Directors. Under MIPB's conflict of interest policy, the Governance Committee of the Board of Directors approves and monitors these transactions, and steps are taken by this Committee to ensure that the transactions are appropriate. For the years ended September 30, 2015 and 2014, the primary activities of this nature included banking, legal, insurance, and other professional services totaling approximately $713,170 and $779,330.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in MIPB's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair values of MIPB's investments that are readily marketable, such as common stock, money market funds, and mutual funds are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates for corporate bonds. (Level 2 inputs).

The fair value of the interest rate swap is based on a third-party proprietary valuation model that calculates the value based on recognized financial principles and current market rates, and is thought to provide a reasonable estimate of fair value (Level 2 inputs).

(Continued)

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of beneficial interest in assets held by CICF is based upon MIPB's proportionate share of CICF's pooled investment portfolio. MIPB's management and Finance Committee review the valuations and returns in comparison to industry benchmarks and other information provided by CICF, but do not receive a detailed listing of the holdings in which the Foundation is invested. MIPB values the beneficial interest in assets held by CICF at net asset value using the market approach. MIPB does not have the ability to redeem this beneficial interest on a short-term basis. Withdrawals are limited to the terms of the MIPB's agreement with CICF (Level 3 inputs).

The following tables present the MIPB's assets and liabilities measured at fair value on a recurring basis at September 30 are as follows:

2015	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 9,421	$ -	$ -	$ 9,421
Corporate bonds	-	6,859	-	6,859
Mutual funds - equities	1,819,490	-	-	1,819,490
Mutual funds - fixed income	782,600	-	-	782,600
Mutual funds - international	391,896	-	-	391,896
Beneficial interest in assets held by Community Foundation	-	-	228,594	228,594
Total assets	$ 3,003,407	$ 6,859	$ 228,594	$ 3,238,860

2014	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 199,374	$ -	$ -	$ 199,374
Common stock	483	-	-	483
Corporate bonds	-	7,117	-	7,117
Mutual funds - equities	1,707,604	-	-	1,707,604
Mutual funds - fixed income	829,065	-	-	829,065
Mutual funds - international	464,471	-	-	464,471
Beneficial interest in assets held by Community Foundation	-	-	239,998	239,998
Total assets	$ 3,200,997	$ 7,117	$ 239,998	$ 3,448,112

(Continued)

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

A reconciliation of beginning and ending balances for MIPB's fair value measurements using Level 3 inputs is as follows:

	Beneficial interest in assets held by Community Foundation	
	2015	2014
Assets at October 1	$ 239,998	$ 214,265
Change in value of beneficial interest	(11,404)	25,733
Assets at September 30	$ 228,594	$ 239,998

NOTE 14 - ENDOWMENT COMPOSITION DISCLOSURE

WFYI Foundation, Inc.'s endowment exists to support MIPB with a distribution of endowment earnings to assist in its operation. The endowment includes both donor-restricted endowment funds and unrestricted funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 stipulations to the contrary.

As a result of this interpretation, the Foundation 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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

(Continued)

NOTE 14 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $34,100 and $0 as of September 30, 2015 and 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. WFYI Foundation, Inc. expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a net average of 8 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of September 30, 2015.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (34,100)	$ -	$ 1,199,751	$ 1,165,651
Board designated endowed funds	2,073,209	-	-	2,073,209
Total funds	$ 2,039,109	$ -	$ 1,199,751	$ 3,238,860

(Continued)

NOTE 14 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

Changes in endowment net assets for year ended September 30, 2015.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 2,203,799	$ 44,079	$ 1,199,751	$ 3,447,629
Investment return				
Investment income, net of fees	103,539	60,920	-	164,459
Net realized and unrealized losses	(176,069)	(49,430)	-	(225,499)
Total investment return	(72,530)	11,490	-	(61,040)
New gifts	64,478	-	-	64,478
Foundation loan to MIPB	(62,193)	-	-	(62,193)
Appropriation of endowment assets for expenditure	(94,445)	(55,569)	-	(150,014)
Net assets, end of year	$ 2,039,109	$ -	$ 1,199,751	$ 3,238,860

Endowment net asset composition by type of fund as of September 30, 2014.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 44,079	$ 1,199,751	$ 1,243,830
Board designated endowed funds	2,203,799	-	-	2,203,799
Total funds	$ 2,203,799	$ 44,079	$ 1,199,751	$ 3,447,629

Changes in endowment net assets for year ended September 30, 2014.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 1,565,857	$ 18,849	$ 1,199,751	$ 2,784,457
Investment return				
Investment return, net of fees	67,491	36,021	-	103,512
Net realized and unrealized gain	64,891	34,634	-	99,525
Total investment return	132,382	70,655		203,037
New gifts	593,653	-	-	593,653
Appropriation of endowment assets for expenditure	(88,093)	(45,425)	-	(133,518)
Net assets, end of year	$ 2,203,799	$ 44,079	$ 1,199,751	$ 3,447,629

SUPPLEMENTARY INFORMATION

METROPOLITAN INDIANAPOLIS PUBLIC BROADCASTING, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2015

	MIPB	MIPB Media Center, LLC	Foundation	Eliminations	Total
ASSETS					
Current assets					
Cash	$ 592,685	$ -	$ -	$ -	$ 592,685
Accounts and grants receivable, net	499,208	-	-	-	499,208
Accounts receivable - related party	27,755	700,571	63,647	(791,973)	-
Contributions receivable, net	380,416	-	1,667	-	382,083
Prepaid expenses	213,423	-	-	-	213,423
Total current assets	1,713,487	700,571	65,314	(791,973)	1,687,399
Non-current assets					
Contributions receivable, net	141,892	-	-	-	141,892
Investments	-	-	3,010,266	-	3,010,266
Investment in subsidiary	3,635,588	-	-	(3,635,588)	-
Beneficial interest in assets held by Community Foundation	-	-	228,594	-	228,594
Property and equipment, net	1,510,712	9,848,058	-	-	11,358,770
Total non-current assets	5,288,192	9,848,058	3,238,860	(3,635,588)	14,739,522
Total	$ 7,001,679	$ 10,548,629	$ 3,304,174	$ (4,427,561)	$ 16,426,921

(Continued)

METROPOLITAN INDIANAPOLIS PUBLIC BROADCASTING, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2015

	MIPB	MIPB Media Center, LLC	Foundation	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	$ 549,180	$ -	$ -	$ -	$ 549,180
Accounts payable - related party	764,218	-	27,755	(791,973)	-
Accrued salaries and wages	392,612	-	-	-	392,612
Unearned underwriting revenue	99,729	-	-	-	99,729
Line-of-credit	400,000	-	-	-	400,000
Note payable	67,500	-	-	-	67,500
Other liabilities	44,394	-	-	-	44,394
Total current liabilities	2,317,633	-	27,755	(791,973)	1,553,415
Non-current liabilities					
Notes payable	1,198,125	-	-	-	1,198,125
Net assets					
Unrestricted	3,200,152	10,548,629	2,076,668	(3,635,588)	12,189,861
Temporarily restricted	285,769	-	-	-	285,769
Permanently restricted	-	-	1,199,751	-	1,199,751
Total net assets	3,485,921	10,548,629	3,276,419	(3,635,588)	13,675,381
Total	$ 7,001,679	$ 10,548,629	$ 3,304,174	$ (4,427,561)	$ 16,426,921

	MIPB			MIPB Media Center, LLC		Foundation					
	Unrestricted Operating Fund	Temporarily Restricted Fund	Total MIPB	Unrestricted Operating Fund	Total LLC	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total Foundation	Eliminations	Consolidated Total
SUPPORT AND REVENUE											
Public support	$ 6,131,198	$ -	$ 6,131,198	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,131,198
Grant revenue	2,749,897	736,617	3,486,514	-	-	-	-	-	-	-	3,486,514
FYI Productions revenue	481,612	-	481,612	-	-	-	-	-	-	-	481,612
Special events revenue	280,484	-	280,484	-	-	-	-	-	-	-	280,484
Capital campaign support	289,518	463,680	753,198	-	-	-	-	-	-	-	753,198
Rent revenue	-	-	-	1,233,287	1,233,287	-	-	-	-	(770,000)	463,287
Other support	1,126,300	-	1,126,300	-	-	26,000	-	-	26,000	(920,015)	232,285
Investment return	48	-	48	-	-	(71,076)	11,490	-	(59,586)	(1,454)	(60,992)
Net assets released from restriction	914,528	(914,528)	-	-	-	55,569	(55,569)	-	-	-	-
Total support and revenue	11,973,585	285,769	12,259,354	1,233,287	1,233,287	10,493	(44,079)	-	(33,586)	(1,691,469)	11,767,586
EXPENSES											
Program services:											
Programming and production	5,585,065	-	5,585,065	169,147	169,147	-	-	-	-	-	5,754,212
Broadcasting	1,086,044	-	1,086,044	269,098	269,098	-	-	-	-	-	1,355,142
Program information	603,859	-	603,859	7,689	7,689	-	-	-	-	-	611,548
Total program services	7,274,968	-	7,274,968	445,934	445,934	-	-	-	-	-	7,720,902
Supporting services:											
Fundraising and membership	2,498,763	-	2,498,763	-	-	-	-	-	-	-	2,498,763
Management and general	1,417,622	-	1,417,622	19,616	19,616	12,674	-	-	12,674	-	1,449,912
Distributions to MIPB	-	-	-	-	-	150,015	-	-	150,015	(150,015)	-
Facility rentals and costs	1,147,333	-	1,147,333	1,077,540	1,077,540	-	-	-	-	(1,541,454)	683,419
Total support services	5,063,718	-	5,063,718	1,097,156	1,097,156	162,689	-	-	162,689	(1,691,469)	4,632,094
Total expenses	12,338,686	-	12,338,686	1,543,090	1,543,090	162,689	-	-	162,689	(1,691,469)	12,352,996
Change in net assets from operations	(365,101)	285,769	(79,332)	(309,803)	(309,803)	(152,196)	(44,079)	-	(196,275)	-	(585,410)
Net assets at beginning of year	3,565,253	-	3,565,253	10,611,751	10,611,751	2,228,864	44,079	1,199,751	3,472,694	(3,388,907)	14,260,791
Capital contributions	-	-	-	246,681	246,681	-	-	-	-	(246,681)	-
Net assets, end of year	$ 3,200,152	$ 285,769	$ 3,485,921	$ 10,548,629	$ 10,548,629	$ 2,076,668	$ -	$ 1,199,751	$ 3,276,419	$ (3,635,588)	$ 13,675,381