METROPOLITAN INDIANAPOLIS PUBLIC MEDIA, INC.

CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Metropolitan Indianapolis Public Media, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Indianapolis Public Media, Inc., which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Indianapolis Public Media, Inc. as of September 30 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2018 consolidating schedule of financial position and 2018 consolidating schedule of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets 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 audit 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 LLP

Crowe LLP

Indianapolis, Indiana
May 14, 2019

METROPOLITAN INDIANAPOLIS PUBLIC MEDIA, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2018

	2018
ASSETS	
Current assets	
Cash	$ 2,486,955
Accounts and grants receivable (less allowance of $13,250 for 2018)	934,906
Contributions receivable, net (Note 2)	144,746
Prepaid capitalized lease expenses (Notes 1 and 9)	80,000
Other prepaid expenses	188,218
Total current assets	3,834,825
Non-current assets	
Contributions receivable, net (Note 2)	205,588
Investments (Note 3)	3,582,502
Beneficial interest in assets held by Community Foundation (Note 4)	272,508
Prepaid capitalized lease expenses (Notes 1 and 9)	560,000
Property and equipment, net (Note 5)	10,012,733
Total non-current assets	14,633,331
Total assets	$ 18,468,156
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 375,080
Accrued salaries and wages	572,324
Unearned underwriting revenue	23,578
Note payable (Note 6)	67,500
Deferred capitalized lease revenue (Notes 1 and 9)	86,077
Other liabilities	23,466
Total current liabilities	1,148,025
Non-current liabilities	
Note payable (Note 6)	995,625
Deferred capitalized lease revenues (Notes 1 and 9)	602,541
Total non-current liabilities	1,598,166
Net assets	
Unrestricted	13,578,211
Temporarily restricted (Note 7)	944,003
Permanently restricted (Note 8)	1,199,751
Total net assets	15,721,965
Total liabilities and net assets	$ 18,468,156

See accompanying notes to consolidated financial statements.

METROPOLITAN INDIANAPOLIS PUBLIC MEDIA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended September 30, 2018

	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Public support	$ 7,491,939	$ -	$ -	$ 7,491,939
Grants and other contributions	2,227,233	760,883	-	2,988,116
FYI Productions revenue	560,031	-	-	560,031
Special events revenue	226,667	-	-	226,667
Capital campaign support	-	39,644	-	39,644
Rent revenue	490,217	-	-	490,217
EBS Spectrum lease revenue	872,823	-	-	872,823
Other support	320,851	-	-	320,851
Loss on sale of property and equipment	(1,652)	-	-	(1,652)
Investment return (Note 3)	163,169	73,203	-	236,372
Net assets released from restriction	1,868,587	(1,868,587)	-	-
Total support and revenue	14,219,865	(994,857)	-	13,225,008
EXPENSES				
Program services:				
Programming and production	5,816,547	-	-	5,816,547
Broadcasting	1,551,801	-	-	1,551,801
Program information	742,731	-	-	742,731
Total program services	8,111,079	-	-	8,111,079
Supporting services:				
Fundraising and membership	1,893,263	-	-	1,893,263
Underwriting	1,139,929	-	-	1,139,929
Management and general	1,232,979	-	-	1,232,979
Facility rentals and costs	637,256	-	-	637,256
Total support services	4,903,427	-	-	4,903,427
Total expenses	13,014,506	-	-	13,014,506
Changes in net assets	1,205,359	(994,857)	-	210,502
Net assets, beginning of year	12,372,852	1,938,860	1,199,751	15,511,463
Net assets, end of year	$ 13,578,211	$ 944,003	$ 1,199,751	$ 15,721,965

See accompanying notes to consolidated financial statements.

METROPOLITAN INDIANAPOLIS PUBLIC MEDIA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended September 30, 2018

		2018
Cash flows from operating activities		
Change in net assets	$	210,502
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation		952,539
Provision for bad debts		87,151
Loss on sale of property and equipment		1,652
Net realized and unrealized gains on investments		(153,104)
Change in beneficial interest of assets held by Community Foundation		(9,927)
Changes in certain assets and liabilities:		
Accounts and grants receivable		(234,302)
Contributions receivable		210,750
Prepaid expenses		62,219
Accounts payable		42,395
Other liabilities		(54,070)
Net cash flows from operating activities		1,115,805
Cash flows from investing activities		
Purchase of property and equipment		(675,342)
Proceeds from sale of property and equipment		-
Purchase of investments		(1,719,264)
Proceeds from sale of investments		1,521,805
Net cash flows from investing activities		(872,801)
Cash flows from financing activities		
Payments on notes payable		(67,500)
Borrowings on line-of-credit		-
Payments on line-of-credit		-
Net cash flows from financing activities		(67,500)
Net change in cash and cash equivalents		175,504
Cash and cash equivalents, beginning of year		2,311,451
Cash and cash equivalents, end of year	$	2,486,955
Supplemental disclosure of cash flow information		
Cash paid for interest	$	29,248
In-kind contributions		332,469

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Metropolitan Indianapolis Public Media, Inc. ("MIPM") is a nonprofit corporation which operates a noncommercial public television station ("WFYI") and a public radio station ("WFYI/FM") in Indianapolis, Indiana. Throughout the Notes, references to MIPM relate to all entities included in the consolidated financial statements when applicable.

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

WFYI Foundation, Inc.: MIPM formed the Foundation for the purpose of holding certain investments and soliciting contributions on behalf of MIPM. The Foundation Board of Directors includes certain directors of MIPM, and its bylaws require that all contributions and earnings on invested assets are for the benefit of MIPM. 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: MIPM formed the LLC for the purpose of participating in the New Market Tax Credit Program. The LLC is wholly owned by MIPM. 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: MIPM and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Additionally, MIPM 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 MIPM as unrelated business income (loss). Tax expense for the year ended September 30, 2018 is $0.

Current accounting standards require MIPM 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 year ended September 30, 2018, management has determined that MIPM does not have any tax positions that result in any uncertainties regarding the possible impact on MIPM's financial statements.

MIPB does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. MIPM recognizes interest and/or penalties related to income tax matters in income tax expense. MIPM did not have any amounts accrued for interest and penalties at September 30, 2018.

Net Asset Classifications: The classification of MIPM'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 MIPM is subject to donor-imposed stipulations that can be fulfilled by actions of MIPM 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 MIPM.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: MIPM 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, MIPM maintains cash balances at various financial institutions in excess of this insurance limit.

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.

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.

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: MIPM uses an allowance for doubtful accounts to estimate for uncollectible contributions receivable based on past experience and payment history.

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

Prepaid Capitalized Lease Expenses: In fiscal year 2016, MIPM leased portions of its Educational Broadband Service (EBS) spectrum. Consulting and advisory expenses incurred in connection with these leases are being amortized on a straight line basis over a ten year term that began on the Commencement Date of the lease(s). For the year ended September 30, 2018, current and non-current Prepaid Capitalized Lease Expense was $640,000 on the consolidated statement of financial position.

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, MIPM reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. MIPM 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, 2018, management believes that no impairments exist.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Capitalized Lease Revenues: In 2016, MIPM leased portions of its EBS spectrum. Advance payments were received that mature over a ten year period. The payments are being amortized on a straight line basis over a ten year term that began on the Commencement Date of the lease(s). For the year ended September 30, 2018, current and non-current Deferred Capitalized Lease Revenue was $688,618 on the consolidated statement of financial position.

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.

MIPM 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, MIPM receives in-kind contributions from various donors, primarily in support of special events and MIPM's capital campaign. It is the policy of the MIPM to record the estimated fair value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the year ended September 30, 2018, in-kind contributions totaled $332,469.

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, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2018. Management has performed their analysis through May 14, 2019, the date the financial statements were available to be issued.

Reclassifications: Certain prior year balances have been reclassified to conform to the current year presentation. Reclassifications had no impact on change in net assets or net assets in total.

(Continued)

NOTE 2 - CONTRIBUTIONS RECEIVABLE

The following represents contributions receivable balances at September 30:

	2018
Currently due	$ 144,746
Due in one to five years	249,828
	394,574
Unamortized discount	(30,950)
Allowance	(13,290)
Total contributions receivable, net	$ 350,334

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

	2018
Current, net of allowance	$ 144,746
Non-current, net of allowance and discount	205,588
	$ 350,334

Qualifying contributions receivable were discounted at a discount rate of 4% at September 30, 2018.

NOTE 3 - INVESTMENTS

Investments as of September 30 are as follows:

	2018
Money market funds	$ 66,884
Common stock	1,220,190
Municipal bonds	53,258
US Treasury securities	370,471
Corporate bonds	498,686
Mutual funds - equities	518,961
Mutual funds - fixed income	183,069
Mutual funds - international	151,729
Exchange traded funds	519,254
	$ 3,582,502

(Continued)

NOTE 3 - INVESTMENTS (Continued)

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

	2018
Interest and dividends, net of fees of $26,931	$ 73,341
Realized gain on investments	100,323
Unrealized gain on investments	52,781
Change in beneficial interest	9,927
Total investment return	$ 236,372

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, 2018 was $272,508 and the change in value of beneficial interest of $9,927 is included in the investment return on the consolidated statement of activities.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 is as follows:

	2018
Land	$ 734,200
Transmitter and studio equipment	5,297,582
Building and improvements	13,693,331
Furniture and office equipment	1,329,364
Tower and antenna	1,214,544
Vehicles	42,240
	22,311,261
Less: Accumulated depreciation	(12,298,528)
Property and equipment, net	$ 10,012,733

Depreciation expense for the year ended September 30, 2018 was $952,539.

(Continued)

NOTE 6 - DRAW AGREEMENT AND LINE OF CREDIT

During fiscal year 2014, MIPM 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% (2.86% at September 30, 2018) and currently matures on June 26, 2024. The term loan agreement is collateralized by certain investment securities. The term loan agreement requires MIPM to meet certain financial and non-financial covenants. At September 30, 2018, management of MIPM reported compliance with all covenants. MIPM had outstanding borrowings of $1,063,125 as of September 30, 2018. 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:

	2018
Current	$ 67,500
Non-current	995,625
	$ 1,063,125

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

2019	$ 67,500
2020	67,500
2021	67,500
2022	67,500
2023	67,500
Thereafter	725,625
	$ 1,063,125

MIPM has a line-of-credit agreement with a bank that provides for a maximum borrowing of $750,000. The agreement bears interest at the daily LIBOR rate plus .75% (2.86% at September 30, 2018) and matures on June 25, 2019. The line-of-credit is collateralized by certain investment securities. The line-of-credit agreement requires MIPM to meet certain financial and non-financial covenants in relation to the term loan agreement. At September 30, 2018, management of MIPB reported compliance with all covenants. MIPM did not have any borrowings or payments on the line-of-credit as of September 30, 2018.

Interest expense on all notes payable totaled $29,248 for the year ended September 30.

(Continued)

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	2018
Capital campaign	$ 446,324
Education reporting	6,187
Programming	410,935
Endowment earnings	80,557
	$ 944,003

Purpose restrictions accomplished:

	2018
Capital campaign	$ 810,915
Education reporting	287,824
Programming	715,559
Endowment	54,289
Total net assets released from restriction	$ 1,868,587

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of September 30, 2018 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.

NOTE 9 - OPERATING LEASES

Lessor:

The LLC owns the building at 1630 North Meridian Street. The LLC leases the entire building to MIPM under a master lease agreement that expired in April 2014. From that date forward, the LLC provided free rent to MIPM, which was recorded as in-kind revenue and in-kind expense on both MIPM and the LLC in the amount of $770,000 for the year ended September 30, 2018. This amount is eliminated in consolidation.

MIPM has entered into sub-leases with other non-related outside tenants. After the expiration of the master lease agreement between MIPM and the LLC, MIPM assigned their interest in the sub-lease agreements to LLC. At that point, the revenue from the sublease agreements was recognized by the LLC.

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NOTE 9 - OPERATING LEASES (Continued)

MIPM leases a portion of their Educational Broadband Service (EBS) channels to a telecommunications provider for a monthly fee plus an initial fee paid at contract execution. The lease term began on the date of issuance announcing the grant of the FCC Long Term Lease Application and expires on the date the current MIPM license(s) expire. The leases will automatically renew for a total term of thirty years unless the provider notifies MIPM in writing at least 90 days prior to the expiration of an initial or renewal term.

MIPM's operating leases to outside parties expire at various dates through 2028. Rental income from these leases was $1,363,040 for the year ended September 30, 2018.

Minimum annual payments receivable under the operating leases as of September 30, 2018 are as follows:

Year Ending September 30	
2019	$ 1,104,024
2020	911,942
2021	792,634
2022	786,046
2023	786,046
Thereafter	3,125,171
	$ 7,505,863

Lessee:

MIPM rents equipment under noncancelable operating leases. Operating lease expense was $87,225 for the year ended September 30, 2018. MIPM has the following operating lease commitments as of September 30, 2018:

Year Ending September 30	
2019	$ 87,808
2020	90,145
2021	92,576
2022	11,571
2023	1,336
	$ 283,436

NOTE 10 - DEFINED CONTRIBUTION PLAN

MIPM has a defined contribution retirement savings plan which covers substantially all employees. Participants may contribute up to 20% of their gross compensation annually. MIPM may contribute an amount as determined by the Board of Directors. Expense for the year ended September 30, 2018 was $88,610.

(Continued)

NOTE 11 - RELATED PARTIES

Transactions between MIPM, the Foundation, and the LLC are eliminated in financial statement consolidation. MIPM periodically enters into business transactions with outside vendors that employ or are owned by members of the Board of Directors. Under MIPM'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 year ended September 30, 2018, the primary activities of this nature included banking, legal, insurance, and other professional services totaling approximately $1,038,069.

NOTE 12 - 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 MIPM'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.

Pursuant to the adoption of ASU 2015-07, *Fair Value Measurement*, those investments which are valued at net asset value are excluded from the fair value hierarchy. The fair values of MIPM's investments that are readily marketable, such as money market funds, common stock, US Treasury securities, mutual funds and exchange traded 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 and municipal bonds. (Level 2 inputs).

The fair value of beneficial interest in assets held by CICF is based upon MIPM's proportionate share of CICF's pooled investment portfolio. MIPM'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. MIPM uses the net asset value to determine the beneficial interest in assets held by CICF using the market approach based upon MIPM's proportionate share of CICF's pooled investment portfolio. MIPM does not have the ability to redeem this beneficial interest on a short-term basis. Withdrawals are limited to the terms of the MIPM's agreement with CICF.

(Continued)

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

2018	Level 1	Level 2	Level 3	Funds Valued At Net Asset Value	Total
Assets:					
Money market funds	$ 66,884	$ -	$ -	$ -	$ 66,884
Common stock	1,220,190	-	-	-	1,220,190
Municipal bonds	-	53,258	-	-	53,258
Corporate bonds	-	498,686	-	-	498,686
US Treasury securities	370,471	-	-	-	370,471
Mutual funds - equities	518,961	-	-	-	518,961
Mutual funds - fixed income	183,069	-	-	-	183,069
Mutual funds - international	151,729	-	-	-	151,729
Exchange traded funds	519,254	-	-	-	519,254
Total investments	3,030,558	551,944	-	-	3,582,502
Beneficial interest in assets held by Community Foundation	-	-	-	272,508	272,508
Total assets	$ 3,030,558	$ 551,944	$ -	$ 272,508	$ 3,855,010

NOTE 13 - ENDOWMENT COMPOSITION DISCLOSURE

The Foundation’s endowment exists to support MIPM 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:

NOTE 13 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

(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

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 $0 as of September 30, 2018.

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. The goal of the endowment fund policy, as approved by the board, is to achieve a total return (income and appreciation) at or above the benchmark over a full market cycle (3 - 5 years). The benchmark will consist of the returns of the S&P 500 and the Barclays Intermediate Government/Credit Index with an allocation of 70% and 30%, respectively. 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. The Foundation's spending policy is consistent with its 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, 2018.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 80,557	$ 1,199,751	$ 1,280,308
Board designated endowed funds	2,574,702	-	-	2,574,702
Total funds	$ 2,574,702	$ 80,557	$ 1,199,751	$ 3,855,010

(Continued)

NOTE 13 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

Changes in endowment net assets for year ended September 30, 2018.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 2,225,965	$ 61,643	$ 1,199,751	$ 3,487,359
Investment return				
Interest and dividends, net of fees	49,719	22,465	-	72,184
Net realized and unrealized gains	112,292	50,738	-	163,030
Total investment return	162,011	73,203	-	235,214
New gifts	306,878	-	-	306,878
Appropriation of endowment assets for expenditure	(120,152)	(54,289)	-	(174,441)
Net assets, end of year	$ 2,574,702	$ 80,557	$ 1,199,751	$ 3,855,010

(Continued)

SUPPLEMENTARY INFORMATION

METROPOLITAN INDIANAPOLIS PUBLIC MEDIA, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2018

	MIPM	MIPB Media Center, LLC	Foundation	Eliminations	Total
ASSETS					
Current assets					
Cash	$ 2,486,955	$ -	$ -	$ -	$ 2,486,955
Accounts and grants receivable, net	934,906	-	-	-	934,906
Accounts receivable - related party	4,892	2,135,774	22,574	(2,163,240)	-
Contributions receivable, net	120,783	-	23,963	-	144,746
Prepaid capitalized lease expenses	80,000	-	-	-	80,000
Other prepaid expenses	188,218	-	-	-	188,218
Total current assets	3,815,754	2,135,774	46,537	(2,163,240)	3,834,825
Non-current assets					
Contributions receivable, net	205,588	-	-	-	205,588
Investments	-	-	3,582,502	-	3,582,502
Investment in subsidiary	4,484,068	-	-	(4,484,068)	-
Beneficial interest in assets held by Community Foundation	-	-	272,508	-	272,508
Prepaid capitalized lease expenses	560,000	-	-	-	560,000
Property and equipment, net	1,141,235	8,871,498	-	-	10,012,733
Total non-current assets	6,390,891	8,871,498	3,855,010	(4,484,068)	14,633,331
Total	$ 10,206,645	$ 11,007,272	$ 3,901,547	$ (6,647,308)	$ 18,468,156

(Continued)

METROPOLITAN INDIANAPOLIS PUBLIC MEDIA, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2018

	MIPM	MIPB Media Center, LLC	Foundation	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	$ 375,080	$ -	$ -	$ -	$ 375,080
Accounts payable - related party	2,158,348	-	4,892	(2,163,240)	-
Accrued salaries and wages	572,324	-	-	-	572,324
Unearned underwriting revenue	23,578	-	-	-	23,578
Note payable	67,500	-	-	-	67,500
Deferred capitalized lease revenues	86,077	-	-	-	86,077
Other liabilities	23,466	-	-	-	23,466
Total current liabilities	3,306,373	-	4,892	(2,163,240)	1,148,025
Non-current liabilities					
Notes payable	995,625	-	-	-	995,625
Deferred capitalized lease revenue	602,541	-	-	-	602,541
Total non-current liabilities	1,598,166	-	-	-	1,598,166
Net assets					
Unrestricted	4,438,660	11,007,272	2,616,347	(4,484,068)	13,578,211
Temporarily restricted	863,446	-	80,557	-	944,003
Permanently restricted	-	-	1,199,751	-	1,199,751
Total net assets	5,302,106	11,007,272	3,896,655	(4,484,068)	15,721,965
Total liabilities and net assets	$ 10,206,645	$ 11,007,272	$ 3,901,547	$ (6,647,308)	$ 18,468,156

(Continued)

METROPOLITAN INDIANAPOLIS PUBLIC MEDIA, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended September 30, 2018

	MIPM			MIPB Media Center, LLC		Foundation					
	Unrestricted Operating Fund	Temporarily Restricted Fund	Total MIPM	Unrestricted Operating Fund	Total, LLC	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total Foundation	Consolidated Eliminations	Total
SUPPORT AND REVENUE											
Public support	$ 7,491,939	$ -	$ 7,491,939	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,491,939
Grants and other contributions	2,227,233	760,883	2,988,116	-	-	-	-	-	-	-	2,988,116
FYI Productions revenue	560,031	-	560,031	-	-	-	-	-	-	-	560,031
Special events revenue	226,667	-	226,667	-	-	-	-	-	-	-	226,667
Capital campaign support	-	39,644	39,644	-	-	-	-	-	-	-	39,644
Rent revenue	-	-	-	1,260,217	1,260,217	-	-	-	-	(770,000)	490,217
EBS Spectrum lease revenue	872,823	-	872,823	-	-	-	-	-	-	-	872,823
Other support	1,090,975	-	1,090,975	-	-	174,317	-	-	174,317	(944,441)	320,851
Gain (loss) on sale of property and equipment	5	-	5	(1,657)	(1,657)	-	-	-	-	-	(1,652)
Investment return	765	-	765	-	-	163,353	73,203	-	236,556	(949)	236,372
Net assets released from restriction	1,814,298	(1,814,298)	-	-	-	54,289	(54,289)	-	-	-	-
Total support and revenue	14,284,736	(1,013,771)	13,270,965	1,258,560	1,258,560	391,959	18,914	-	410,873	(1,715,390)	13,225,008
EXPENSES											
Program services:											
Programming and production	5,680,775	-	5,680,775	135,772	135,772	-	-	-	-	-	5,816,547
Broadcasting	1,340,925	-	1,340,925	210,876	210,876	-	-	-	-	-	1,551,801
Program information	742,731	-	742,731	-	-	-	-	-	-	-	742,731
Total program services	7,764,431	-	7,764,431	346,648	346,648	-	-	-	-	-	8,111,079
Supporting services:											
Fundraising and membership	1,893,263	-	1,893,263	-	-	-	-	-	-	-	1,893,263
Underwriting	1,139,929	-	1,139,929	-	-	-	-	-	-	-	1,139,929
Management and general	1,222,842	-	1,222,842	2,134	2,134	8,952	-	-	8,952	(949)	1,232,979
Distributions to MIPM	-	-	-	-	-	174,441	-	-	174,441	(174,441)	-
Facility rentals and costs	1,176,156	-	1,176,156	1,001,100	1,001,100	-	-	-	-	(1,540,000)	637,256
Total support services	5,432,190	-	5,432,190	1,003,234	1,003,234	183,393	-	-	183,393	(1,715,390)	4,903,427
Total expenses	13,196,621	-	13,196,621	1,349,882	1,349,882	183,393	-	-	183,393	(1,715,390)	13,014,506
Changes in net assets	1,088,115	(1,013,771)	74,344	(91,322)	(91,322)	208,566	18,914	-	227,480	-	210,502
Net assets at beginning of year	3,350,545	1,877,217	5,227,762	10,682,606	10,682,606	2,407,781	61,643	1,199,751	3,669,175	(4,068,080)	15,511,463
Capital contributions	-	-	-	415,988	415,988	-	-	-	-	(415,988)	-
Net assets, end of year	$ 4,438,660	$ 863,446	$ 5,302,106	$ 11,007,272	$ 11,007,272	$ 2,616,347	$ 80,557	$ 1,199,751	$ 3,896,655	$ (4,484,068)	$ 15,721,965