

**CORPORATION FOR PUBLIC BROADCASTING**

**OFFICE OF INSPECTOR GENERAL**

**AUDIT OF COMMUNITY SERVICE GRANTS AT MAINE PUBLIC  
BROADCASTING NETWORK,  
LEWISTON, MAINE  
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016**

**REPORT NO. ASJ1707-1709**

**September 26, 2017**

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# Report in Brief

## Why We Did This Audit

We performed this examination based on our Annual Plan to audit a number of public television and radio stations.

Our objectives were to examine Maine Public Broadcasting Network's (MPBN) certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines; b) expend CSG and other grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended. The amount of NFFS a station reports to CPB affects the amount of CPB funding the station receives.

Send all inquiries to our office at (202) 879-9669 or email [OIGemail@cpb.org](mailto:OIGemail@cpb.org) or visit [www.cpb.org/oig](http://www.cpb.org/oig)

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## *Audit of Community Service Grants at Maine Public Broadcasting Network, Lewiston, Maine for the Period July 1, 2014 through June 30, 2016*

### What We Found

The station overstated NFFS by \$42,330 on its 2015 AFRs because it included ineligible funds received from a public broadcasting entity and included ineligible in-kind trades for local productions and promotional items.

**The NFFS overstatement resulted in CSG overpayments of \$4,975 in FY 2017.**

In addition, we found noncompliance with discrete accounting requirements for CSG expenditures and noncompliance with Act requirements for Board of Directors and committee meeting requirements for 7 of 24 meetings with closed sessions during our audit period.

The station agreed with all our findings except noncompliance with discrete accounting requirements. Nonetheless, the station has taken corrective actions in response to our recommendations.

CPB management will make the final determination on our findings and recommendations.

### What We Recommend

That CPB:

- recover FY 2017 CSG payments made to MPBN of \$4,975;
- verify MPBN corrective actions adequately meet CPB requirements for discrete accounting of expenditures; and
- verify during the audit resolution process that the reason(s) for closing public meetings of the Board and committee meetings are posted to the station's website ten days after the meeting(s).




Corporation  
for Public  
Broadcasting

Office of Inspector General

Date: September 26, 2017

To: Jackie J. Livesay, Vice President, Compliance  
Ted Krichels, Senior Vice President, System Development and Media Strategy  
Kathy Merritt, Senior Vice President, Journalism and Radio

From: Mary Mitchelson, Inspector General 

Subject: Audit of Community Service Grants at Maine Public Broadcasting Network,  
Lewiston, Maine for the Period July 1, 2014 through June 30, 2016,  
Report No. ACJ1707-1709

Enclosed please find our reissued final report, which contains Maine Public Broadcasting Network's revised official response, dated September 15, 2017. This report was initially released on September 25, 2017 with Maine's initial response to our draft report, dated September 12, 2017. No other changes were made to this reissued final report. CPB officials must make a final management decision on our findings and recommendations in accordance with established audit resolution procedures.

Accordingly, we request that you provide us with a draft written response to our findings and recommendations within 90 days of the final report. We will review your proposed actions and provide our feedback before you issue a final management decision to the grantee, which is due within 180 days of the final report. For corrective actions planned but not completed by the response date, please provide specific milestone dates so that we can track the implementation of corrective actions needed to close the audit recommendations.

We will post this report to the Office of Inspector General's website as required by the Inspector General Act of 1978, as amended. Please refer any public inquiries about this report to our website or our office.

Enclosure

cc: Lori Gilbert, Chair, CPB Board of Directors  
Bruce M. Ramer, Chair, CPB Audit and Finance Committee  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
U.S. House of Representatives Committee on Oversight and Government Reform  
U.S. Senate Committee on Commerce, Science and Transportation  
U.S. House of Representatives Energy and Commerce Committee  
U.S. Senate Committee on Appropriations  
U.S. Senate Labor-HHS-Education Appropriations Subcommittee  
U.S. House of Representatives Committee on Appropriations  
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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## **EXECUTIVE SUMMARY**

We have completed an examination of the Corporation for Public Broadcasting (CPB) Community Service Grants (CSG) awarded to Maine Public Broadcasting Network (MPBN) for the period July 1, 2014 through June 30, 2016. Our objectives were to examine MPBN's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend CSG and other grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility (Eligibility) requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our examination we found:

- overstated FY 2015 NFFS of \$42,330 (because it included payments from a public broadcasting entity and ineligible in-kind trades for local production and promotional items), which resulted in FY 2017 CSG overpayments of \$4,975 that we report as funds put to better use;
- noncompliance with discrete accounting requirements for CSG expenditures; and
- noncompliance with Act requirements for Board of Director and committee meeting requirements for 7 of 24 meetings with closed sessions during our audit period.

We recommend that CPB:

- recover CSG overpayments of \$4,975;
- verify MPBN corrective actions adequately meet CPB requirements for discrete accounting of expenditures; and
- verify during the audit resolution process that the reason(s) for closing public meetings of the Board and committee meetings are posted to the station's website ten days after the meeting(s).

In response to the draft report, MPBN agreed with our findings for overstated NFFS and noncompliance with Act requirements for Board of Directors and committee meeting requirements for closed meetings. While the station did not agree with our finding on noncompliance with discrete accounting requirements for CSG expenditures, nonetheless it took corrective actions. MPBN's response to the draft report is presented in Exhibit H.

This report presents the conclusions of the Office of Inspector General (OIG) and the findings reported do not necessarily represent CPB's final position on these issues. While we have made recommendations we believe would be appropriate to resolve these findings, CPB officials will make final determinations on our findings and recommendations in accordance with established CPB audit resolution procedures. Based on MPBN's response to the draft report, we consider recommendations 1 and 2 unresolved, and recommendation 3 and 4 resolved but open pending CPB's final management decision.

We performed this examination based on the OIG's annual plan. We conducted our examination in accordance with *Government Auditing Standards* for attestation engagements. Our scope and methodology is discussed in Exhibit G.

Finally, under Other Matters we discuss the incomplete reporting of CPB expenditures on Schedule E. This was not considered to be a significant reporting issue.

## **BACKGROUND**

MPBN is a statewide telecommunications network that receives three CSG grants (Maine Network TV, WMEH-FM, WMEA-FM). The station's website notes that the station is focused on connecting the people of Maine to the world and each other through the exchange of information, ideas, and cultural content. Through collaborations with other organizations and independent producers, MPBN strives to provide cultural and entertaining programming such as the statewide high school basketball tournament and high school quiz show.

The station's website ([mainepublic.org](http://mainepublic.org)) highlights its mission; presents its programming schedule; and contains information about membership and benefits, station operations, annual community and financial reports, and upcoming events and meetings.

CPB awards annual CSGs to public television and radio stations based on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the television and radio CSG pools adjusted by base grants and supplemental grants. The funds that remain are called the Incentive Grant Pools; one is for television and the other is for radio.

The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total adjusted NFFS claimed by all television/radio stations. The IRR is then multiplied by the station's total amount of adjusted NFFS to calculate the incentive award amount of the station's total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the FY's CSG amount. For example, CPB used the NFFS claimed by MPBN on its FY 2014 AFR to determine the amount of the CSG the station received in FY 2016.

During our audit period MPBN received \$3,299,054 from CPB CSGs as itemized in Exhibit A. MPBN reported NFFS of \$10,343,433 in FY 2015 and \$11,883,536 in FY 2016 per Exhibit E. MPBN's audited financial statements for the two FYs reported revenues of \$12,127,734 in FY 2015 and \$14,284,022 in FY 2016. MPBN's FY begins July 1 and ends on June 30.

## **RESULTS OF AUDIT**

In our opinion, except for the noncompliance issues described below, MPBN has complied with the requirements in the following paragraph for the FY 2015 and 2016 Television and Radio CSGs (Exhibits B, C, D, and E).

We examined MPBN management's assertions of compliance with CPB grant requirements:

a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes MPBN's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, Community Advisory Board, Equal Employment Opportunity (EEO) reporting, and donor lists; and discrete accounting requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our examination was conducted in accordance with the *Government Auditing Standards* for attestation engagements and, accordingly, included examining, on a test basis, evidence about MPBN's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on MPBN's compliance with specified requirements.

Our examination found the following issues of noncompliance with NFFS financial reporting requirements, CPB grant agreement requirements, and Act and Eligibility requirements:

- overstated FY 2015 NFFS of \$42,330 (because it included payments from a public broadcasting entity and ineligible in-kind trades for local production and promotional items), which resulted in FY 2017 CSG overpayments of \$4,975 that we report as funds put to better use;
- incomplete reporting of CPB expenditures in Schedule E; and
- noncompliance with Act requirements for Board of Director and committee meeting requirements for closed meetings.

### **Other Matters**

Our audit also identified the incomplete reporting of all CPB expenditures on Schedule E. This was not considered to be a significant reporting issue.

## **FINDINGS AND RECOMMENDATIONS**

### **OVERSTATED NFFS**

Our examination found \$42,330 in overstated NFFS on MPBN's FY 15 AFRs as presented in the following table and detailed in Exhibit F. As a result, CPB made CSG overpayments of \$4,975 to MPBN in FY 2017. We classified this amount as funds put to better use for reporting purposes because the funds overpaid to MPBN could have been distributed to other public broadcasting entities.

#### ***Overstated NFFS***

| <b>Conditions</b>                                  | <b>Overstated<br/>FY 2015<br/>NFFS Radio</b> | <b>Overstated<br/>FY 2015<br/>NFFS TV</b> | <b>Total Overstated<br/>NFFS FY 2015</b> | <b>Total<br/>Overstated<br/>NFFS</b> | <b>CSG<br/>Overpayment</b> |
|--|--|---|--|--------------------------------------|----------------------------|
| Ineligible payment sources<br>(PBS Satellite Feed) | \$0  | \$23,980                                  | \$23,980                                 | \$23,980                             | \$2,867                    |
| Ineligible In-Kind Trades                          | \$1,350                                      | \$17,000                                  | \$18,350                                 | \$18,350                             | \$2,108                    |
| <b>Total</b>                                       | <b>\$1,350</b>                               | <b>\$40,980</b>                           | <b>\$42,330</b>                          | <b>\$42,330</b>                      | <b>\$4,975</b>             |



Further discussion on our findings are presented below.

### **Ineligible Payment Sources**

Based on our testing, we found that MPBN included ineligible funds received from the PBS National Satellite Feed as PBS pass-through copyright royalties on its AFR. These revenues were paid to PBS directly by direct broadcast satellite providers and were then redistributed to stations. As a result, MPBN overstated its NFFS in FY 2015 by \$23,980 and received a CSG overpayment of \$2,867. We identified similar payments in FY 2016; however, the station took corrective action and submitted a revised TV FY 2016 AFR in July 2017 during our fieldwork.

Guidelines explain that distributions from the PBS National Satellite Service are not copyright royalties and should be excluded from NFFS. The Guidelines state:

Distributions from PBS National Satellite Service are revenues from a public broadcasting entity and should be reported on Line 2C (PBS – All payments except copyright royalties and other pass-through payments).

CPB Financial Reporting Guidelines, Part III – AFR and FSR Line Item Instructions, 5 Schedule A – Direct Revenue, Line 2 – Amounts provided by Public Broadcasting Entities, C. PBS – All payments except copyright royalties and other pass-through payments (2015 and 2016).

The station agreed it had included the PBS National Satellite Feed revenues in NFFS. Station officials said they identified the payments as royalties because the funds were identified as royalties on the PBS check remittance from for-profit sources. However, our work identified that the funds were from a public broadcasting entity and were not eligible to be claimed as NFFS.

Based on our audit, we identified ineligible payments totaling \$23,890, resulting in CSG overpayments of \$2,867 in FY 2017. See Exhibit F.

### **Ineligible In-Kind Trades**

Our examination of MPBN's records determined that MPBN included \$18,350 in ineligible in-kind trades on Schedule C of its AFRs. We found MPBN included a \$17,000 in-kind contribution for technical support for the station's local production of a statewide high school basketball tournament. Additionally, we identified a \$1,350 in-kind contribution for promotional tickets to distribute to the public.

Guidelines identify in-kind contributions to exclude from NFFS:

Promotional items – Donated promotional items such as tickets to performances, t-shirts, mugs, mouse pads, dinners or other events, given to listeners or the general public as incentives to listen longer or more often to the station or to increase station audience awareness are not eligible as NFFS.

Local productions – A local production is one that is produced locally by or for the station, regardless of whether or not the production is distributed nationally, or whether the production is aired at all. The category of local productions includes, but is not limited to, station exclusive airings and public performances. In-kind contributions in support of local productions may not be claimed as NFFS. This includes but is not limited to performers' fees (e.g. musicians/instrumentalists, actors and singers) and the on-air services of volunteer hosts as well as any off-air writing or research related to producing the program, equipment rentals, lodging, transportation, catering and related activities.

CPB Financial Reporting Guidelines, Part I – NFFS Guiding Principles and Policy, Section 2.4.2 All Grantees – In-Kind Contributions Excluded from NFFS for Policy Reasons (2015 and 2016).

In FY 2016, MPBN officials learned the in-kind contribution for local programming technical support was ineligible for NFFS and properly excluded the revenue associated with these services in the station's FY 2016 AFR. Regarding the in-kind contribution for promotional tickets, MPBN officials did not realize that the contribution related to promotional tickets.

Based on our audit we questioned \$18,350 in in-kind trades claimed as NFFS, resulting in an overpayment of \$2,108 in FY 2017. See Exhibit F.

In total MPBN claimed \$42,330 as NFFS in FY 2015 that we determined was ineligible, resulting in an overpayment of \$4,975 in CSG payments in FY 2017. This amount will be reported as funds put to better use in our report. See Exhibit F.

### ***MPBN Corrective Actions***

Based on our audit findings, station officials took corrective action and submitted revised FY 2016 AFRs in July 2017. In doing so, it eliminated ineligible NFFS previously claimed on its FY 2016 AFRs of \$225,616.

### ***Recommendations***

We recommend CPB management:

- 1) recover FY 2017 CSG overpayments made to MPBN of \$4,975; and
- 2) require MPBN to identify the corrective action and controls it will implement to ensure future compliance.

### ***MPBN Response***

In response to the draft report, MPBN did not comment on our findings that NFFS was overstated by \$42,330 in the FY 2015 AFRs.

### ***OIG Review and Comment***

Based on MPBN's response, we consider recommendation 1 and 2 unresolved, pending CPB's management decision.

### **DISCRETE ACCOUNTING**

We found that MPBN maintains discrete accounting records of its CPB revenues but did not discretely account for CPB CSG expenditures so that CPB or its representatives could identify CPB-funded expenditures. The station recorded CPB restricted radio funds in its national programming general ledger (GL) accounts but did not separately track restricted or unrestricted expenditures funded by CPB.

The CPB Terms and Conditions require discrete accounting of all CPB revenues and expenses:

The use of unique accounting codes by CSG recipients to identify CSG funds – both revenues and expenses, restricted and unrestricted – so that both CPB and an auditor can discretely track those funds within the recipient's accounting system.

CPB Television and Radio CSG General Provisions and Eligibility Criteria, Section 1: Definitions (2015 and 2016).

Station officials believed that the station was compliant with discrete accounting requirements, because it had accounts for national programming that covered CPB restricted funding for radio. All other CPB funding the station received was unrestricted and was coded to unrestricted GL accounts. The station did not recognize the requirement to discretely account for CPB expenditures.

In July 2017, station officials took corrective action to comply and established sub-accounts to identify CPB TV and radio restricted and unrestricted expenditures.

### ***Recommendations***

We recommend CPB management:

- 3) verify MPBN corrective actions adequately meet CPB requirements for discrete accounting of expenditures.

### ***MPBN Response***

In response to this finding, MPBN officials stated that they disagree with our finding that CPB or its representatives could not easily identify CPB-funded expenditures. They believe that since all CPB CSG funding was spent on TV or radio programming and programming expenditures that can be identified in the GL as either TV or radio, CPB-funded expenditures could be identified. They assert that the station's action to designate a GL sub-account for expenditures specifically

related to CPB revenues merely enhances the station's discrete accounting rather than establishing it.

### ***OIG Review and Comment***

Based on MPBN's response, we agree that the station's designation of a sub-account for expenditures specifically related to CPB revenue should provide discrete accounting for CPB expenditures. We consider recommendation 3 resolved but open pending CPB's determination that MPBN's corrective action adequately meets CPB requirements for discrete accounting of expenditures.

### **ACT COMPLIANCE**

Our examination found that MPBN did not fully comply with open meetings requirements of the Act. For 7 out of 24 board and committee meetings with closed sessions, MPBN did not post to its website reasons or make available to the public the reason(s) for the closed executive sessions.

The Act and CPB require that stations make the reasons available to the public for closing a meeting or part of a meeting. The Act provides for the following:

Nothing contained in this paragraph shall be construed to prevent any such board, committee, or body from holding closed sessions to consider matters relating to individual employees, proprietary information, litigation and other matters requiring the confidential advice of counsel, commercial or financial information obtained from a person on a privileged or confidential basis, or the purchase of property or services whenever the premature exposure of such purchase would compromise the business interests of any such organization. If any such meeting is closed pursuant to the provisions of this paragraph, the organization involved shall thereafter (within a reasonable period of time) make available to the public a written statement containing an explanation of the reasons for closing the meeting.

Communications Act of 1934, Subpart D – Corporation for Public Broadcasting, Sec. 396 (K) Financing Restrictions, (4) [47 U.S.C. § 396].

CPB defines a reasonable period of time for an explanation as 10 days:

CPB also requires that the written statement be made available for inspection, either at the CSG recipient's central office or posted on its station website, within 10 days after each closed meeting.

CPB Communications Act Compliance, II. Closed Meetings, C. Closed Meeting Documentation (June 2016).

Based on discussions with station management, station officials misinterpreted the guidance and thought that the requirement did not apply to public meetings that were closed to go into executive session for only a portion of the meeting.

Station officials took corrective action in May 2017 to comply. The station now posts reasons for meetings with closed sessions on its website.

### ***Recommendation***

We recommend CPB management take the following action:

- 4) verify during the audit resolution process that the station is currently posting the reason for closing Board of Directors and committee meetings to its website within ten days after the meeting(s).

### ***MPBN Response***

In response to the draft report, MPBN did not have any specific comments but requested that the Executive Summary provide more context on the finding, so a member or donor does not get the impression that the station was broadly non-complaint.

### ***OIG Review and Comment***

Based on MPBN's response, we consider recommendation 4 resolved but open pending CPB's verification of current compliance during the audit resolution process.

### **Other Matters**

During our audit work, we found that MPBN also did not properly identify all CPB related grant expenditures in Schedule E of its FYs 2015 and 2016 AFRs as follows:

- CPB Emergency Alert and Communications Grant (EAC) totaling \$5,608 in FY 2016; and
- CPB Regional Journalism Collaboration Grant (RJC) totaling \$12,468 in FY 2016.

This was not considered to be a significant reporting issue.

Guidelines describe reporting CPB funds on Schedule E as follows:

#### **Reporting CPB Grant Expenditures**

For each functional expense category on Lines 1 through 7, grantees must indicate the CPB and non-CPB funds used under the following categories.

For Radio Grantees:

A. Restricted Radio CSG

- B. Unrestricted Radio CSG
- C. Other CPB Funds
- D. All non-CPB Funds

For TV Grantees:

- A. TV CSG
- B. TV Interconnection
- C. Other CPB Funds
- D. All non-CPB Funds

It is important that the total for Lines 8A, 8B and 8C do not exceed the total CPB revenues reported on Schedule A, Line 2A and 2B.

CPB Financial Reporting Guidelines, Part III – AFR and FSR Line Item Instructions, 9 Schedule E – Expenses (2015 and 2016).

The station did not include EAC expenditures, because they were coded to a GL account that was not identified as being CPB related. It also did not include the RJC expenditures, because the revenue came from Connecticut Public Broadcasting and was not identified as CPB funding.

Based on discussions with station officials, the station understands the need to report expenditures related to all CPB funded activities in Schedule E.

**Exhibit A**

**CPB Payments to MPBN  
July 1, 2014 – June 30, 2016**

| <b>CPB Grants</b>  | <b>FY 2015</b>     | <b>FY 2016</b>     | <b>Total</b>       |
|--|--------------------|--------------------|--------------------|
| <b>Maine Network-TV</b>  |                    |                    |                    |
| Community Service Grant  | \$994,237          | \$1,028,967        | \$2,023,204        |
| Interconnection  | \$17,986           | \$18,870           | \$36,856           |
| Distance Service   | \$48,950           | \$48,846           | \$97,796           |
| <b>Total Maine Network-TV</b>  | <b>\$1,061,173</b> | <b>\$1,096,683</b> | <b>\$2,157,856</b> |
| <b>WMEH-FM</b>   |                    |                    |                    |
| Unrestricted Community Service Grant   | \$213,788          | \$225,258          | \$439,046          |
| Restricted Community Service Grant   | \$76,567           | \$78,858           | \$155,425          |
| Rural Service  | \$23,690           | \$24,384           | \$48,074           |
| <b>Total WMEH-FM</b>   | <b>\$314,045</b>   | <b>\$328,500</b>   | <b>\$642,545</b>   |
| <b>WMEA-FM</b>   |                    |                    |                    |
| Unrestricted Community Service Grant   | \$171,030          | \$180,207          | \$351,237          |
| Restricted Community Service Grant   | \$61,254           | \$63,086           | \$124,340          |
| <b>Total WMEA-FM</b>   | <b>\$232,284</b>   | <b>\$243,293</b>   | <b>\$475,577</b>   |
| <b>Other</b>   |                    |                    |                    |
| Emergency Alert & Communications – Grant #14801                                  | \$5,000            | \$5,608            | \$10,608           |
| Regional Journalism Collaboration: New England News Collaborative – Grant #15553 | \$0                | \$12,468           | \$12,468           |
| <b>Total Other</b>   | <b>\$5,000</b>     | <b>\$18,076</b>    | <b>\$23,076</b>    |
| <b>Total</b>   | <b>\$1,612,502</b> | <b>\$1,686,552</b> | <b>\$3,299,054</b> |

**Exhibit B**

**Maine Network TV Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>  | <b>FY 2015</b> | <b>FY 2016</b> |
|-------------|---|----------------|----------------|
|             | <b>Schedule A</b>   |                |                |
|             | <b>Source of Income</b>   |                |                |
| 1           | Amounts provided directly by federal government agencies  | \$43,879       | \$23,335       |
|             | F. Other Federal Funds (Tower Lease Revenue 990T)   | \$43,879       | \$23,335       |
| 2           | Amounts provided by Public Broadcasting Entities  | \$1,061,221    | \$1,267,005    |
|             | A. CPB - Community Service Grants   | \$994,237      | \$1,028,967    |
|             | B. CPB - all other funds from CPB   | \$66,936       | \$67,716       |
|             | C. PBS - all payments except copyright royalties and other pass through payments.   | \$48           | \$170,322      |
|             | D. NPR - all payments except pass-through payments  | \$0            | \$0            |
|             | E. Public broadcasting stations - all payments  | \$0            | \$0            |
|             | F. Other PBE funds  | \$0            | \$0            |
| 3           | Local boards and departments of education or other local government or agency sources   | \$5,155        | \$6,879        |
| 3.1         | NFFS Eligible   | \$5,155        | \$6,879        |
|             | A. Program and production underwriting  | \$0            | \$1,215        |
|             | B. Grants and contributions other than underwriting   | \$5,155        | \$5,664        |
| 3.2         | NFFS Ineligible   | \$0            | \$0            |
| 4           | State boards and departments of education or other state government or agency sources   | \$770,447      | \$798,437      |
| 4.1         | NFFS Eligible   | \$767,806      | \$767,474      |
|             | A. Program and production underwriting  | \$256          | \$0            |
|             | F. Other income eligible as NFFS (State of Maine Appropriation)   | \$767,550      | \$767,474      |
| 4.2         | NFFS Ineligible   | \$2,641        | \$30,963       |
|             | E. Other income ineligible for NFFS inclusion (Tower Lease Revenue 990T, Experience Mag Adv Revenue 990T, Efficiency Maine Rebate HVAC) | \$2,641        | \$30,963       |
| 5           | State colleges and universities   | \$2,969        | \$2,022        |
| 5.1         | NFFS Eligible   | \$2,969        | \$2,022        |
|             | A. Program and production underwriting  | \$2,969        | \$2,022        |
| 5.2         | NFFS Ineligible   | \$0            | \$0            |
| 6           | Other state-supported colleges and universities   | \$0            | \$0            |
| 7           | Private colleges and universities   | \$270          | \$8,094        |
| 7.1         | NFFS Eligible   | \$270          | \$8,094        |
|             | A. Program and production underwriting  | \$270          | \$8,094        |
| 7.2         | NFFS Ineligible   | \$0            | \$0            |
| 8           | Foundations and nonprofit associations  | \$274,916      | \$586,616      |
| 8.1         | NFFS Eligible   | \$272,703      | \$379,607      |
|             | A. Program and production underwriting  | \$238,405      | \$186,828      |
|             | B. Grants and contributions other than underwriting   | \$30,207       | \$40,974       |
|             | D. Gifts and grants received through a capital campaign but not for facilities and equipment  | \$3,836        | \$151,204      |
|             | E. Other income eligible as NFFS (Engineering Revenue)  | \$255          | \$601          |
| 8.2         | NFFS Ineligible   | \$2,213        | \$207,009      |
|             | D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)            | \$0            | \$204,000      |
|             | E. Other income ineligible for NFFS inclusion (Experience Mag Adv 990T Rev)   | \$2,213        | \$3,009        |
| 9           | Business and Industry   | \$379,884      | \$402,128      |
| 9.1         | NFFS Eligible   | \$311,145      | \$317,608      |
|             | A. Program and production underwriting  | \$285,915      | \$298,263      |
|             | B. Grants and contributions other than underwriting   | \$8,880        | \$7,302        |
|             | D. Gifts and grants received through a capital campaign but not for facilities and equipment  | \$15,350       | \$10,232       |
|             | E. Other income eligible as NFFS (Engineering Revenue, Special Events)  | \$1,000        | \$1,811        |



**Exhibit B (continued)**

**Maine Network TV Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>  | <b>FY 2015</b>     | <b>FY 2016</b>     |
|-------------|---|--------------------|--------------------|
| 9.2         | NFFS Ineligible   | \$68,739           | \$84,520           |
|             | E. Other income ineligible for NFFS inclusion (Tower Lease Revenue 990T, Experience Mag Adv 990T Rev)   | \$68,739           | \$84,520           |
| 10          | Memberships and subscriptions (net of membership bad debt expense)  | \$2,243,828        | \$2,343,603        |
| 10.1        | NFFS Exclusion – Fair market value of premiums that are not of insubstantial value  | \$283,883          | \$335,518          |
|             | <b>Form of Revenue</b>  |                    |                    |
| 13          | Auction Revenue   | \$0                | \$0                |
| 14          | Special fundraising activities -net   | \$0                | \$0                |
| 15          | Passive Income  | \$30,334           | \$5,178            |
|             | A. Interest and dividends (other than on endowment funds)   | \$1,479            | \$2,358            |
|             | B. Royalties  | \$3,266            | \$1,004            |
|             | C. PBS or NPR pass-through copyright royalties  | \$25,589           | \$1,816            |
| 16          | Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)   | \$7,478            | (\$321)            |
|             | A. Gains from sales of property and equipment (do not report losses)  | \$8,682            | \$0                |
|             | C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)                                   | (\$1,204)          | (\$321)            |
| 17          | Endowment revenue   | \$33,316           | \$43,137           |
|             | B. Interest and dividends on endowment funds  | \$46,573           | \$54,668           |
|             | C. Realized net investment gains and losses on endowment funds  | \$399,407          | (\$43,411)         |
|             | D. Unrealized net investment gains and losses on endowment funds  | (\$412,664)        | \$31,880           |
| 18          | Capital fund contributions from individuals   | \$15,011           | \$110,821          |
|             | A. Facilities and equipment (except funds received from federal or public broadcasting sources)   | \$27               | \$0                |
|             | B. Other (Non-Facilities)   | \$14,984           | \$110,821          |
| 19          | Gifts and bequests from major individual donors   | \$553,650          | \$574,537          |
| 20          | Other Direct Revenue (Dubbing 990T)   | \$684              | \$216              |
| 21          | <b>Total Revenue</b>  | <b>\$5,423,042</b> | <b>\$6,171,687</b> |
|             | <b>Form of Revenue</b>  |                    |                    |
|             | <b>Adjustments to Revenue</b>   |                    |                    |
| 22          | Federal revenue from line 1.  | \$43,879           | \$23,335           |
| 23          | Public broadcasting revenue from line 2.  | \$1,061,221        | \$1,267,005        |
| 25          | Revenue on line 20 not meeting the source, form, purpose, or recipient criteria   | \$684              | \$216              |
| 26          | Other automatic subtractions from total revenue   | \$14,279           | \$4,299            |
|             | C. Gains from sales of property and equipment – line 16a  | \$8,682            | \$0                |
|             | E. Unrealized investment and actuarial gains/losses (other than endowment funds) - line 16c   | (\$1,204)          | (\$321)            |
|             | F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d  | (\$13,257)         | (\$11,531)         |
|             | J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)  | \$73,593           | \$118,492          |
|             | K. FMV of high-end premiums (Line 10.1)   | \$283,883          | \$335,518          |
| 27          | <b>Total Direct Non-Federal Financial Support</b>   | <b>\$3,965,534</b> | <b>\$4,234,973</b> |
|             | <b>Schedule C</b>   |                    |                    |
| 1           | PROFESSIONAL SERVICES   | \$17,000           | \$0                |
|             | C. Engineering  | \$17,000           | \$0                |
| 2           | GENERAL OPERATIONAL SERVICES  | \$0                | \$0                |
| 3           | OTHER SERVICES (must be eligible as NFFS)   | \$2,950            | \$0                |
|             | C. Local advertising  | \$2,950            | \$0                |
|             | <b>Total In-Kind Services - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Non-federal Financial Support</b> | <b>\$19,950</b>    | <b>\$0</b>         |
| 5           | IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS  | \$665              | \$9,100            |

**Exhibit B (continued)**

**Maine Network TV Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>  | <b>FY 2015</b>     | <b>FY 2016</b>     |
|-------------|---|--------------------|--------------------|
|             | D. Fundraising related activities   | \$665              | \$0                |
|             | F. Local productions  | \$0                | \$9,100            |
| 6           | <b>Total in-kind contributions</b> - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS. | <b>\$20,615</b>    | <b>\$9,100</b>     |
| TV          | <b>Schedule E – EXPENSES</b>  |                    |                    |
|             | <b>PROGRAM SERVICES</b>   |                    |                    |
| 1           | Programming and production  | \$2,009,959        | \$2,065,087        |
|             | A. TV CSG   | \$994,237          | \$1,028,967        |
|             | B. TV Interconnection   | \$17,986           | \$18,870           |
|             | C. Other CPB Funds  | \$53,950           | \$48,846           |
|             | D. All non-CPB Funds  | \$943,786          | \$968,404          |
| 2           | Broadcasting and engineering  | \$1,701,964        | \$1,736,087        |
|             | A. TV CSG   | \$0                | \$0                |
|             | B. TV Interconnection   | \$0                | \$0                |
|             | C. Other CPB Funds  | \$0                | \$0                |
|             | D. All non-CPB Funds  | \$1,701,964        | \$1,736,087        |
| 3           | Program information and promotion   | \$254,251          | \$280,571          |
|             | A. TV CSG   | \$0                | \$0                |
|             | B. TV Interconnection   | \$0                | \$0                |
|             | C. Other CPB Funds  | \$0                | \$0                |
|             | D. All non-CPB Funds  | \$254,251          | \$280,571          |
|             | <b>SUPPORT SERVICES</b>   |                    |                    |
| 4           | Management and general  | \$854,851          | \$877,228          |
|             | A. TV CSG   | \$0                | \$0                |
|             | B. TV Interconnection   | \$0                | \$0                |
|             | C. Other CPB Funds  | \$0                | \$0                |
|             | D. All non-CPB Funds  | \$854,851          | \$877,228          |
| 5           | Fund raising and membership development   | \$1,058,543        | \$1,089,596        |
|             | A. TV CSG   | \$0                | \$0                |
|             | B. TV Interconnection   | \$0                | \$0                |
|             | C. Other CPB Funds  | \$0                | \$0                |
|             | D. All non-CPB Funds  | \$1,058,543        | \$1,089,596        |
| 6           | Underwriting and grant solicitation   | \$327,737          | \$363,317          |
|             | A. TV CSG   | \$0                | \$0                |
|             | B. TV Interconnection   | \$0                | \$0                |
|             | C. Other CPB Funds  | \$0                | \$0                |
|             | D. All non-CPB Funds  | \$327,737          | \$363,317          |
| 7           | Depreciation and Amortization if not allocated  | \$0                | \$0                |
| 8           | <b>Total Expenses (sum of lines 1 to 7) must agree with audited financial statements</b>  | <b>\$6,207,305</b> | <b>\$6,411,886</b> |
|             | A. Total TV CSG (sum of lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)  | \$994,237          | \$1,028,967        |
|             | B. Total TV Interconnection (sum of lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)  | \$17,986           | \$18,870           |
|             | C. Total Other CPB Funds (sum of lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)   | \$53,950           | \$48,846           |
|             | D. Total All non-CPB Funds (sum of lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)   | \$5,141,132        | \$5,315,203        |
|             | <b>INVESTMENT IN CAPITAL ASSETS</b>   | <b>\$0</b>         | <b>\$0</b>         |
| 9           | Total capital assets purchased or donated   | \$470,078          | \$231,139          |
|             | b. Equipment  | \$470,078          | \$231,139          |
| 10          | <b>Total expenses and investment in capital assets (sum of lines 8 and 9)</b>   | <b>\$6,677,383</b> | <b>\$6,643,025</b> |

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| Line | Description  | FY 2015   | FY 2016   |
|------|--|-----------|-----------|
|      | <b>Schedule A</b>  |           |           |
|      | <b>Source of Income</b>  |           |           |
| 1    | Amounts provided directly by federal government agencies   | \$0       | \$0       |
| 2    | Amounts provided by Public Broadcasting Entities   | \$314,045 | \$337,538 |
|      | A. CPB - Community Service Grants  | \$290,355 | \$304,116 |
|      | B. CPB - all other funds from CPB  | \$23,690  | \$27,188  |
|      | C. PBS - all payments except copyright royalties and other pass-through payments.                                  | \$0       | \$0       |
|      | D. NPR - all payments except pass-through payments   | \$0       | \$0       |
|      | E. Public broadcasting stations - all payments   | \$0       | \$6,234   |
|      | F. Other PBE funds   | \$0       | \$0       |
| 3    | Local boards and departments of education or other local government or agency sources                              | \$2,458   | \$3,350   |
| 3.1  | NFFS Eligible  | \$2,458   | \$3,350   |
|      | A. Program and production underwriting   | \$0       | \$648     |
|      | B. Grants and contributions other than underwriting  | \$2,458   | \$2,702   |
| 3.2  | NFFS Ineligible  | \$0       | \$0       |
| 4    | State boards and departments of education or other state government or agency sources                              | \$381,605 | \$389,827 |
| 4.1  | NFFS Eligible  | \$381,385 | \$375,831 |
|      | A. Program and production underwriting   | \$15,160  | \$9,568   |
|      | F. Other income eligible as NFFS - (State of Maine Appropriation)  | \$366,225 | \$366,263 |
| 4.2  | NFFS Ineligible  | \$220     | \$13,996  |
|      | E. Other income ineligible for NFFS inclusion - (Experience Mag Adv Rev 990T, Efficiency Maine)                    | \$220     | \$13,996  |
| 5    | State colleges and universities  | \$2,641   | \$15,838  |
| 5.1  | NFFS Eligible  | \$2,641   | \$15,838  |
|      | A. Program and production underwriting   | \$2,641   | \$15,838  |
| 5.2  | NFFS Ineligible  | \$0       | \$0       |
| 6    | Other state-supported colleges and universities  | \$0       | \$0       |
| 6.1  | NFFS Eligible  | \$0       | \$0       |
| 6.2  | NFFS Ineligible  | \$0       | \$0       |
| 7    | Private colleges and universities  | \$37,932  | \$47,406  |
| 7.1  | NFFS Eligible  | \$37,932  | \$47,406  |
|      | A. Program and production underwriting   | \$37,932  | \$47,406  |
| 7.2  | NFFS Ineligible  | \$0       | \$0       |
| 8    | Foundations and nonprofit associations   | \$386,228 | \$963,667 |
| 8.1  | NFFS Eligible  | \$385,173 | \$962,231 |
|      | A. Program and production underwriting   | \$368,440 | \$432,435 |
|      | B. Grants and contributions other than underwriting  | \$14,414  | \$19,555  |
|      | C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign | \$0       | \$248,714 |

**Exhibit C (continued)**

**WMEH-FM Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>  | <b>FY 2015</b> | <b>FY 2016</b> |
|-------------|---|----------------|----------------|
|             | D. Gifts and grants received through a capital campaign but not for facilities and equipment  | \$1,832        | \$260,874      |
|             | E. Other income eligible as NFFS 0 (Engineering Revenue)  | \$487          | \$653          |
| 8.2         | NFFS Ineligible   | \$1,055        | \$1,436        |
|             | E. Other income ineligible for NFFS inclusion   | \$1,055        | \$1,436        |
| 9           | Business and Industry   | \$517,656      | \$474,740      |
| 9.1         | NFFS Eligible   | \$498,521      | \$454,033      |
|             | A. Program and production underwriting  | \$483,262      | \$442,657      |
|             | B. Grants and contributions other than underwriting   | \$7,056        | \$5,692        |
|             | D. Gifts and grants received through a capital campaign but not for facilities and equipment  | \$7,325        | \$4,884        |
|             | E. Other income eligible as NFFS  | \$878          | \$800          |
| 9.2         | NFFS Ineligible   | \$19,135       | \$20,707       |
|             | E. Other income ineligible for NFFS inclusion   | \$19,135       | \$20,707       |
| 10          | Memberships and subscriptions   | \$1,328,252    | \$1,337,547    |
| 10.1        | NFFS Exclusion – Fair market value of premiums that are not of insubstantial value  | \$9,865        | \$18,613       |
|             | <b>Form of Revenue</b>  |                |                |
| 13          | Auction Revenue   | \$0            | \$0            |
| 14          | Special fundraising activities -net   | \$116,498      | \$133,259      |
|             | A. Gross special fundraising activities revenues  | \$116,498      | \$133,259      |
|             | B. Special fundraising activities expenses  | \$0            | \$0            |
| 15          | Passive Income  | \$705          | \$1,145        |
|             | A. Interest and dividends (other than on endowment funds)   | \$705          | \$1,124        |
|             | C. PBS or NPR pass-through copyright royalties  | \$0            | \$21           |
| 16          | Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)               | (\$574)        | (\$154)        |
|             | C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds) | (\$574)        | (\$154)        |
| 17          | Endowment revenue   | \$15,896       | \$20,586       |
|             | B. Interest and dividends on endowment funds  | \$22,222       | \$26,090       |
|             | C. Realized net investment gains and losses on endowment funds  | \$190,571      | (\$20,718)     |
|             | D. Unrealized net investment gains and losses on endowment funds  | (\$196,897)    | \$15,214       |
| 18          | Capital fund contributions from individuals   | \$7,162        | \$115,140      |
|             | A. Facilities and equipment   | \$12           | \$62,251       |
|             | B. Other  | \$7,150        | \$52,889       |
| 19          | Gifts and bequests from major individual donors   | \$393,443      | \$363,986      |
| 20          | Other Direct Revenue  | \$115          | \$8            |
| 21          | Total Revenue   | \$3,504,062    | \$4,203,883    |
|             | Adjustments to Revenue  |                |                |
| 22          | Federal revenue from line 1.  | \$0            | \$0            |
| 23          | Public broadcasting revenue from line 2.  | \$314,045      | \$337,538      |

**Exhibit C (continued)**

**WMEH-FM Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>   | <b>FY 2015</b> | <b>FY 2016</b> |
|-------------|--|----------------|----------------|
| 25          | Revenue on line 20 not meeting the source, form, purpose, or recipient criteria to be included as NFFS   | \$115          | \$8            |
| 26          | Other automatic subtractions from total revenue  | \$23,375       | \$49,094       |
|             | E. Unrealized investment and actuarial gains/losses (other than endowment funds) - line 16c  | (\$574)        | (\$154)        |
|             | F. Realized and unrealized net investment gains/losses on endowment funds - line 17c, line 17d   | (\$6,326)      | (\$5,504)      |
|             | J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)   | \$20,410       | \$36,139       |
|             | K. FMV of high-end premiums (Line 10.1)  | \$9,865        | \$18,613       |
| 27.         | Total Direct Non-Federal Financial Support   | \$3,166,527    | \$3,817,243    |
|             | Schedule C   |                |                |
| 1           | PROFESSIONAL SERVICES  | \$3,950        | \$3,950        |
|             | B. Accounting and/or auditing  | \$3,950        | \$3,950        |
| 2           | GENERAL OPERATIONAL SERVICES   | \$5,112        | \$2,042        |
|             | D. Other   | \$5,112        | \$2,042        |
| 3           | OTHER SERVICES (must be eligible as NFFS)  | \$3,384        | \$1,045        |
|             | C. Local advertising   | \$3,384        | \$1,045        |
| 4           | Total In-Kind Services - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Non-federal Financial Support                   | \$12,446       | \$7,037        |
| 5           | IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS   | \$1,573        | \$4,324        |
|             | D. Fundraising related activities  | \$1,573        | \$4,324        |
| 6           | Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS. | \$14,019       | \$11,361       |
| Radio       | Schedule E - EXPENSES  |                |                |
|             | PROGRAM SERVICES   |                |                |
| 1           | Programming and production   | \$1,468,416    | \$1,487,076    |
|             | A. Restricted Radio CSG  | \$76,567       | \$78,858       |
|             | B. Unrestricted Radio CSG  | \$237,478      | \$249,642      |
|             | C. Other CPB Funds   | \$0            | \$0            |
|             | D. All non-CPB Funds   | \$1,154,371    | \$1,158,576    |
| 2           | Broadcasting and engineering   | \$681,673      | \$697,831      |
|             | A. Restricted Radio CSG  | \$0            | \$0            |
|             | B. Unrestricted Radio CSG  | \$0            | \$0            |
|             | C. Other CPB Funds   | \$0            | \$0            |
|             | D. All non-CPB Funds   | \$681,673      | \$697,831      |
| 3           | Program information and promotion  | \$126,555      | \$137,779      |
|             | A. Restricted Radio CSG  | \$0            | \$0            |
|             | B. Unrestricted Radio CSG  | \$0            | \$0            |
|             | C. Other CPB Funds   | \$0            | \$0            |
|             | D. All non-CPB Funds   | \$126,555      | \$137,779      |

**Exhibit C (continued)**

**WMEH-FM Annual Financial Reports  
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| <b>Line</b> | <b>Description</b>  | <b>FY 2015</b> | <b>FY 2016</b> |
|-------------|---|----------------|----------------|
|             | SUPPORT SERVICES  |                |                |
| 4           | Management and general  | \$383,504      | \$401,215      |
|             | A. Restricted Radio CSG   | \$0            | \$0            |
|             | B. Unrestricted Radio CSG   | \$0            | \$0            |
|             | C. Other CPB Funds  | \$0            | \$0            |
|             | D. All non-CPB Funds  | \$383,504      | \$401,215      |
| 5           | Fund raising and membership development   | \$436,385      | \$418,841      |
|             | A. Restricted Radio CSG   | \$0            | \$0            |
|             | B. Unrestricted Radio CSG   | \$0            | \$0            |
|             | C. Other CPB Funds  | \$0            | \$0            |
|             | D. All non-CPB Funds  | \$436,385      | \$418,841      |
| 6           | Underwriting and grant solicitation   | \$156,377      | \$173,388      |
|             | A. Restricted Radio CSG   | \$0            | \$0            |
|             | B. Unrestricted Radio CSG   | \$0            | \$0            |
|             | C. Other CPB Funds  | \$0            | \$0            |
|             | D. All non-CPB Funds  | \$156,377      | \$173,388      |
| 7           | Depreciation and Amortization if not allocated                                    | \$0            | \$0            |
| 8           | Total Expenses (sum of lines 1 to 7) must agree with audited financial statements | \$3,252,910    | \$3,316,130    |
|             | A. Total Restricted Radio CSG (sum of lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)    | \$76,567       | \$78,858       |
|             | B. Total Unrestricted Radio CSG (sum of lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)  | \$237,478      | \$249,642      |
|             | D. Total All non-CPB Funds (sum of lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)       | \$2,938,865    | \$2,987,630    |
|             | INVESTMENT IN CAPITAL ASSETS  | \$224,291      | \$110,307      |
| 9           | Total capital assets purchased or donated   | \$224,291      | \$110,307      |
|             | b. Equipment  | \$224,291      | \$110,307      |
| 10          | Total expenses and investment in capital assets (sum of lines 8 and 9)            | \$3,477,201    | \$3,426,437    |

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| Line | Description  | FY 2015   | FY 2016   |
|------|--|-----------|-----------|
|      | <b>Schedule A</b>  |           |           |
|      | <b>Source of Income</b>  |           |           |
| 1    | Amounts provided directly by federal government agencies   | \$0       | \$0       |
| 2    | Amounts provided by Public Broadcasting Entities   | \$232,284 | \$252,331 |
|      | A. CPB - Community Service Grants  | \$232,284 | \$243,293 |
|      | B. CPB - all other funds from CPB  | \$0       | \$2,804   |
|      | C. PBS - all payments except copyright royalties and other pass-through payments.                                  | \$0       | \$0       |
|      | D. NPR - all payments except pass-through payments   | \$0       | \$0       |
|      | E. Public broadcasting stations - all payments   | \$0       | \$6,234   |
|      | F. Other PBE funds   | \$0       | \$0       |
| 3    | Local boards and departments of education or other local government or agency sources                              | \$2,459   | \$3,351   |
| 3.1  | NFFS Eligible  | \$2,459   | \$3,351   |
|      | A. Program and production underwriting   | \$0       | \$648     |
|      | B. Grants and contributions other than underwriting  | \$2,459   | \$2,703   |
| 3.2  | NFFS Ineligible  | \$0       | \$0       |
| 4    | State boards and departments of education or other state government or agency sources                              | \$381,605 | \$389,827 |
| 4.1  | NFFS Eligible  | \$381,385 | \$375,831 |
|      | A. Program and production underwriting   | \$15,160  | \$9,568   |
|      | F. Other income eligible as NFFS (State of Maine Appropriation)  | \$366,225 | \$366,263 |
| 4.2  | NFFS Ineligible  | \$220     | \$13,996  |
|      | E. Other income ineligible for NFFS inclusion (Experience Mag Adv Rev 990T, Efficiency Maine)                      | \$220     | \$13,996  |
| 5    | State colleges and universities  | \$2,641   | \$15,838  |
| 5.1  | NFFS Eligible  | \$2,641   | \$15,838  |
|      | A. Program and production underwriting   | \$2,641   | \$15,838  |
| 5.2  | NFFS Ineligible  | \$0       | \$0       |
| 6    | Other state-supported colleges and universities  | \$0       | \$0       |
| 6.1  | NFFS Eligible  | \$0       | \$0       |
| 6.2  | NFFS Ineligible  | \$0       | \$0       |
| 7    | Private colleges and universities  | \$37,932  | \$47,406  |
| 7.1  | NFFS Eligible  | \$37,932  | \$47,406  |
|      | A. Program and production underwriting   | \$37,932  | \$47,406  |
| 7.2  | NFFS Ineligible  | \$0       | \$0       |
| 8    | Foundations and nonprofit associations   | \$386,227 | \$963,668 |
| 8.1  | NFFS Eligible  | \$385,172 | \$962,231 |
|      | A. Program and production underwriting   | \$368,438 | \$432,434 |
|      | B. Grants and contributions other than underwriting  | \$14,414  | \$19,555  |
|      | C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign | \$0       | \$248,714 |
|      | D. Gifts and grants received through a capital campaign but not for facilities and equipment                       | \$1,832   | \$260,874 |

**Exhibit D (continued)**

**WMEA-FM Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>  | <b>FY 2015</b> | <b>FY 2016</b> |
|-------------|---|----------------|----------------|
|             | E. Other income eligible as NFFS (Engineering Revenue)  | \$488          | \$654          |
| 8.2         | NFFS Ineligible   | \$1,055        | \$1,437        |
|             | E. Other income ineligible for NFFS inclusion   | \$1,055        | \$1,437        |
| 9           | Business and Industry   | \$517,654      | \$474,739      |
| 9.1         | NFFS Eligible   | \$498,520      | \$454,032      |
|             | A. Program and production underwriting  | \$483,260      | \$442,658      |
|             | B. Grants and contributions other than underwriting   | \$7,057        | \$5,691        |
|             | D. Gifts and grants received through a capital campaign but not for facilities and equipment  | \$7,325        | \$4,884        |
|             | E. Other income eligible as NFFS  | \$878          | \$799          |
| 9.2         | NFFS Ineligible   | \$19,134       | \$20,707       |
|             | E. Other income ineligible for NFFS inclusion   | \$19,134       | \$20,707       |
| 10          | Memberships and subscriptions   | \$1,328,252    | \$1,337,547    |
| 10.1        | NFFS Exclusion – Fair market value of premiums that are not of insubstantial value  | \$9,865        | \$18,613       |
|             | <b>Form of Revenue</b>  |                |                |
| 13          | Auction Revenue   | \$0            | \$0            |
| 14          | Special fundraising activities -net   | \$116,498      | \$133,260      |
|             | A. Gross special fundraising activities revenues  | \$116,498      | \$133,260      |
|             | B. Special fundraising activities expenses  | \$0            | \$0            |
| 15          | Passive Income  | \$706          | \$1,145        |
|             | A. Interest and dividends (other than on endowment funds)   | \$706          | \$1,124        |
|             | C. PBS or NPR pass-through copyright royalties  | \$0            | \$21           |
| 16          | Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)               | (\$574)        | (\$154)        |
|             | C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds) | (\$574)        | (\$154)        |
| 17          | Endowment revenue   | \$15,896       | \$20,586       |
|             | B. Interest and dividends on endowment funds  | \$22,222       | \$26,090       |
|             | C. Realized net investment gains and losses on endowment funds  | \$190,571      | (\$20,718)     |
|             | D. Unrealized net investment gains and losses on endowment funds  | (\$196,897)    | \$15,214       |
| 18          | Capital fund contributions from individuals   | \$7,162        | \$115,140      |
|             | A. Facilities and equipment   | \$12           | \$62,251       |
|             | B. Other  | \$7,150        | \$52,889       |
| 19          | Gifts and bequests from major individual donors   | \$393,443      | \$363,987      |
| 20          | Other Direct Revenue  | \$115          | \$9            |
| 21          | Total Revenue   | \$3,422,300    | \$4,118,680    |
|             | Adjustments to Revenue  |                |                |
| 22          | Federal revenue from line 1.  | \$0            | \$0            |
| 23          | Public broadcasting revenue from line 2.  | \$232,284      | \$252,331      |
| 25          | Revenue on line 20 not meeting the source, form, purpose, or recipient criteria to be included as NFFS                                    | \$115          | \$9            |



**Exhibit D (continued)****WMEA-FM Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>   | <b>FY 2015</b> | <b>FY 2016</b> |
|-------------|--|----------------|----------------|
| 26          | Other automatic subtractions from total revenue  | \$23,374       | \$49,095       |
|             | E. Unrealized investment and actuarial gains/losses (other than endowment funds) - line 16c  | (\$574)        | (\$154)        |
|             | F. Realized and unrealized net investment gains/losses on endowment funds - line 17c, line 17d   | (\$6,326)      | (\$5,504)      |
|             | J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)   | \$20,409       | \$36,140       |
|             | K. FMV of high-end premiums (Line 10.1)  | \$9,865        | \$18,613       |
| 27          | Total Direct Non-Federal Financial Support   | \$3,166,527    | \$3,817,245    |
|             | Schedule C   |                |                |
| 1           | PROFESSIONAL SERVICES  | \$3,950        | \$3,950        |
|             | B. Accounting and/or auditing  | \$3,950        | \$3,950        |
| 2           | GENERAL OPERATIONAL SERVICES   | \$5,113        | \$2,043        |
|             | D. Other   | \$5,113        | \$2,043        |
| 3           | OTHER SERVICES (must be eligible as NFFS)  | \$3,386        | \$1,045        |
|             | C. Local advertising   | \$3,386        | \$1,045        |
| 4           | Total In-Kind Services - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Non-federal Financial Support                   | \$12,449       | \$7,038        |
| 5           | IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS   | \$1,572        | \$4,323        |
|             | D. Fundraising related activities  | \$1,572        | \$4,323        |
| 6           | Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS. | \$14,021       | \$11,361       |
|             | Schedule E – EXPENSES  |                |                |
|             | PROGRAM SERVICES   |                |                |
| 1           | Programming and production   | \$1,468,416    | \$1,487,076    |
|             | A. Restricted Radio CSG  | \$61,254       | \$63,086       |
|             | B. Unrestricted Radio CSG  | \$171,030      | \$180,207      |
|             | C. Other CPB Funds   | \$0            | \$0            |
|             | D. All non-CPB Funds   | \$1,236,132    | \$1,243,783    |
| 2           | Broadcasting and engineering   | \$681,673      | \$697,831      |
|             | A. Restricted Radio CSG  | \$0            | \$0            |
|             | B. Unrestricted Radio CSG  | \$0            | \$0            |
|             | C. Other CPB Funds   | \$0            | \$0            |
|             | D. All non-CPB Funds   | \$681,673      | \$697,831      |
| 3           | Program information and promotion  | \$126,555      | \$137,779      |
|             | A. Restricted Radio CSG  | \$0            | \$0            |
|             | B. Unrestricted Radio CSG  | \$0            | \$0            |
|             | C. Other CPB Funds   | \$0            | \$0            |
|             | D. All non-CPB Funds   | \$126,555      | \$137,779      |
|             | SUPPORT SERVICES   |                |                |
| 4           | Management and general   | \$383,504      | \$401,215      |
|             | A. Restricted Radio CSG  | \$0            | \$0            |
|             | B. Unrestricted Radio CSG  | \$0            | \$0            |

**Exhibit D (continued)****WMEA-FM Annual Financial Reports  
Years Ending June 30, 2015 and 2016**

| <b>Line</b> | <b>Description</b>  | <b>FY 2015</b> | <b>FY 2016</b> |
|-------------|---|----------------|----------------|
|             | C. Other CPB Funds  | \$0            | \$0            |
|             | D. All non-CPB Funds  | \$383,504      | \$401,215      |
| 5           | Fund raising and membership development   | \$436,385      | \$418,841      |
|             | A. Restricted Radio CSG   | \$0            | \$0            |
|             | B. Unrestricted Radio CSG   | \$0            | \$0            |
|             | C. Other CPB Funds  | \$0            | \$0            |
|             | D. All non-CPB Funds  | \$436,385      | \$418,841      |
| 6           | Underwriting and grant solicitation   | \$156,377      | \$173,388      |
|             | A. Restricted Radio CSG   | \$0            | \$0            |
|             | B. Unrestricted Radio CSG   | \$0            | \$0            |
|             | D. All non-CPB Funds  | \$156,377      | \$173,388      |
| 7           | Depreciation and Amortization if not allocated                                    | \$0            | \$0            |
| 8           | Total Expenses (sum of lines 1 to 7) must agree with audited financial statements | \$3,252,910    | \$3,316,130    |
|             | A. Total Restricted Radio CSG (sum of lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)    | \$61,254       | \$63,086       |
|             | B. Total Unrestricted Radio CSG (sum of lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)  | \$171,030      | \$180,207      |
|             | D. Total All non-CPB Funds (sum of lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)       | \$3,020,626    | \$3,072,837    |
|             | INVESTMENT IN CAPITAL ASSETS  | \$224,291      | \$110,307      |
| 9           | Total capital assets purchased or donated   | \$224,291      | \$110,307      |
|             | b. Equipment  | \$224,291      | \$110,307      |
| 10          | Total expenses and investment in capital assets                                   | \$3,477,201    | \$3,426,437    |

**Exhibit E**

**Summary of Non-Federal Financial Support  
For the periods ending June 30, 2015 and 2016  
Certified by Head of Grantee and Independent Accountant's Report**

| Line | Description   | TV FY 2015         | WMEH-FM<br>FY 2015 | WMEA-FM<br>FY 2015 | Total FY 2015       |
|------|---|--------------------|--------------------|--------------------|---------------------|
|      |   |                    |                    |                    |                     |
|      | <i><b>Summary of Non-Federal Financial Support:</b></i> |                    |                    |                    |                     |
| 1    | Direct Revenue (Schedule A)                             | \$3,965,534        | \$3,166,527        | \$3,166,527        | \$10,298,588        |
| 2    | Indirect Administrative (Schedule B)                    | \$0                | \$0                | \$0                | \$0                 |
| 3    | In-Kind Contributions (Schedule C)                      | \$19,950           | \$12,446           | \$12,449           | \$44,845            |
| 4    | <b>Total Non-Federal Financial Support</b>              | <b>\$3,985,484</b> | <b>\$3,178,973</b> | <b>\$3,178,976</b> | <b>\$10,343,433</b> |

| Line | Description   | TV FY 2016         | WMEH-FM<br>FY 2016 | WMEA-FM<br>FY 2016 | Total FY 2016       |
|------|---|--------------------|--------------------|--------------------|---------------------|
|      |   |                    |                    |                    |                     |
|      | <i><b>Summary of Non-Federal Financial Support:</b></i> |                    |                    |                    |                     |
| 1    | Direct Revenue (Schedule A)                             | \$4,234,973        | \$3,817,243        | \$3,817,245        | \$11,869,461        |
| 2    | Indirect Administrative (Schedule B)                    | \$0                | \$0                | \$0                | \$0                 |
| 3    | In-Kind Contributions (Schedule C)                      | \$0                | \$7,037            | \$7,038            | \$14,075            |
| 4    | <b>Total Non-Federal Financial Support</b>              | <b>\$4,234,973</b> | <b>\$3,824,280</b> | <b>\$3,824,283</b> | <b>\$11,883,536</b> |

## MPBN Overstated Reported NFFS

| Overstated NFFS  | Maine<br>Network – TV<br>FY 2015 | WMEA-FM<br>FY 2015 | WMEH-FM<br>FY 2015 | FY 2015         |
|--|----------------------------------|--------------------|--------------------|-----------------|
| <i>Ineligible payment sources</i>                        |                                  |                    |                    |                 |
| PBS Satellite Feed Funds                                 | \$23,980                         | \$0                | \$0                | \$23,980        |
| <b>Subtotal ineligible payment sources</b>               | <b>\$23,980</b>                  | <b>\$0</b>         | <b>\$0</b>         | <b>\$23,980</b> |
| CPB's FY 2017 Incentive Rate of Return                   | 11.954%                          | 5.659%             | 5.659%             |                 |
| <i>CSG overpayment</i>                                   | <i>\$2,867</i>                   | <i>\$0</i>         | <i>\$0</i>         | <i>\$2,867</i>  |
|  |                                  |                    |                    |                 |
| <i>Ineligible in-kind trade</i>                          |                                  |                    |                    |                 |
| In-kind trades ineligible as NFFS                        | \$17,000                         | \$675              | \$675              | 18,350          |
| <b>Subtotal ineligible payments</b>                      | <b>\$17,000</b>                  | <b>\$675</b>       | <b>\$675</b>       | <b>\$18,350</b> |
| CPB's FY 2017 Incentive Rate of Return                   | 11.954%                          | 5.659%             | 5.659%             |                 |
| <i>CSG overpayment</i>                                   | <i>\$2,032</i>                   | <i>\$38</i>        | <i>\$38</i>        | <i>\$2,108</i>  |
|  |                                  |                    |                    |                 |
|  |                                  |                    |                    |                 |
| <b>Total overstated NFFS</b>                             | <b>\$40,980</b>                  | <b>\$675</b>       | <b>\$675</b>       | <b>\$42,330</b> |
| <b>CPB's FY 2017 Incentive Rate of Return</b>            | 11.954%                          | 5.659%             | 5.659%             |                 |
| <i>Potential CSG overpayment/funds put to better use</i> | <i>\$4,899</i>                   | <i>\$38</i>        | <i>\$38</i>        | <i>\$4,975</i>  |

### Scope and Methodology

We performed an attestation examination to determine MPBN's compliance with CPB Financial Reporting Guidelines, provisions of the Act, grant certification requirements, and other grant provisions. The scope of the examination included reviews and tests of the information reported by the station on its AFR and reconciled to audited financial statements for the fiscal years ending June 30, 2015 and June 30, 2016; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of NFFS claimed on MPBN's AFRs by performing financial reconciliations and comparisons to underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting and grant agreements, as well as other documentation supporting revenues reported. Specifically, we reviewed 41 NFFS revenue transactions totaling \$1,666,900 of \$10,298,588 (16 percent) in fiscal years (FY) 2015 and 52 NFFS revenue transactions totaling \$3,324,172 of \$11,869,461 (28 percent) in FY 2016. We reviewed in-kind revenues totaling \$50,876 of \$58,920 (86 percent) claimed as NFFS in FY 2015 and FY 2016.

We reviewed the allowability of expenses charged to CPB CSGs. To determine that expenditures were incurred in accordance with the grant terms, we reviewed \$2,627,830 of \$3,275,978 expenses (80 percent) reported on the CPB CSG, TV Distance Learning, and Interconnection grants in FYs 2015 and FY 2016. We reviewed payroll and time reports, vendor invoices, and other documentation supporting expenditures.

We reviewed corporate policies, records, and documents supporting the station's compliance with the Act requirements to: provide advance notice of public meetings; make financial and equal employment opportunity information available to the public; operate a CAB; and provide documents supporting compliance with donor lists and political activities prohibitions. We also reviewed the station's website and policies to determine its compliance with CPB's eligibility transparency requirements. Furthermore, we reviewed the independent public accountant's (IPA) audit planning, internal controls, and attestation working papers. Our procedures included interviewing station officials and its IPA.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of MPBN's policies and procedures for compliance with certification of eligibility requirements, Act, and CPB grant agreement terms for allowable costs. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

Our fieldwork was conducted from April 2017 through July 2017. Our examination was performed in accordance with the *Government Auditing Standards* for attestation engagements.

September 15, 2017

William J. Richardson III  
Deputy Inspector General  
Office of Inspector General  
CPB  
401 Ninth Street, NW  
Washington, DC 20004-2129

Re: Network Response to Audit of Community Service Grants at Maine Public  
Broadcasting Network for FY15 and FY16, Draft Report No. ASJ1707-XXXX

Dear Mr. Richardson,

Thank you for the opportunity to respond to your draft report summarizing findings of your audit for Community Service Grants (CSG) awarded to Maine Public Broadcasting Corporation (formerly operating with a dba of MPBN, which was changed in 2016 to Maine Public) for the period July 1, 2014 through June 30, 2016. Our response comments are listed below, following a direct reference to the draft report item.

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#### **Page 1 - Executive Summary**

**Bullet 4** – noncompliance with Act requirements for Board of Director and committee meeting requirements for closed meetings.

Station Response - We believe that the Executive Summary should include the context given further in the Act Compliance section of this report, on page 6, stating that ‘for 7 out of 24 board and committee meetings with closed sessions, MPBN did not post to its website reasons or make available to the public the reason(s) for the closed executive sessions.’ If a member or donor read only the Executive Summary of the OIG findings report it gives the incorrect impression that MPBN is broadly non-compliant, which is not the case.

#### **Page 5 – Ineligible In-Kind Trades – MPBN Corrective Action**

Station observation – There is a typo in line 2 of this section; ‘its’ should be ‘it’.

## Page 5 – Discrete Accounting

Station Response - The report indicates that CPB or its representatives would not easily be able to identify CPB-funded expenditures with our accounting records. We did not agree with that assessment. All CSG appropriation dollars are spent on programming for Radio or Television. Our General Ledger (GL) codes have a high level of detail to segment data inquiries, with a four-section sub-account structure, used for discrete accounting (XXX-XX-X-XXX). The four sections of the sub-account are currently explained as follows: XXX (TV or Radio Department)-XX (Location/CPB Enhancement)-X (TV, Radio, Unspecified)-XXX (specific program or purpose/restriction). All TV Expense budgets begin with a 4. All Radio Expense budgets begin with a 5. Since programming expense tracking can be identified by the discrete accounting for either Radio or Television expenditure, it was our view that identification of CSG expenditures could in fact be done.

The CPB audit resulted in our designation of the second XX portion of the sub-account to identify expenditures as specifically related to CPB revenue (XXX-XX-X-XXX). Prior to this change, the XX portion of the sub-account had always been 00 when used in the TV and Radio expense budgets. The result of the CPB audit was to establish codes for the XX portion that specifically identified expenditures as related to CPB revenue. We made the change effective for all FY17 expenditures, commencing July 1, 2016.

Maine Public has always had a high level of discrete accounting integrity in the GL that has never presented any issue with our ability to complete CPB reporting. The result of the CPB audit was to enhance our discrete accounting, not replace it.

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In conclusion, we appreciate the integrity and professionalism that was shown to our Finance Staff, as well as to the Staff in our other Maine Public Broadcasting departments during this extensive CPB OIG audit of fiscal years FY15 and FY16.

Sincerely,



Mark Vogelzang  
President & CEO  
Maine Public  
207-440-0700