

**Pittsburgh Community Broadcasting  
Corporation and Affiliate**

Consolidated Financial Statements and  
Supplementary Information

Fiscal Years Ended June 30, 2013 and 2012 with  
Independent Auditor's Report



**MaherDuessel**  
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Pittsburgh | Harrisburg | Butler

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# **PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE**

FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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## Independent Auditor's Report

Board of Directors  
Pittsburgh Community Broadcasting Corporation

We have audited the accompanying consolidated financial statements (financial statements) of the Pittsburgh Community Broadcasting Corporation (Corporation) and affiliate, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation and affiliate as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Pittsburgh Community Broadcasting Corporation  
Independent Auditor's Report

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
November 21, 2013

**PITTSBURGH COMMUNITY  
BROADCASTING CORPORATION  
AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 1,239,300	\$ 1,670,602
Accounts receivable	265,741	264,427
Grants receivable	407,741	455,000
Prepaid expenses	126,512	107,111
Total current assets	<u>2,039,294</u>	<u>2,497,140</u>
Grants receivable	<u>78,748</u>	<u>-</u>
Security deposit	<u>482</u>	<u>4,526</u>
Cash held in escrow	<u>250,791</u>	<u>250,000</u>
Investments	<u>414,116</u>	<u>482,143</u>
Fixed assets:		
Land	225,000	225,000
Building and improvements	3,145,560	3,145,560
Equipment and software	621,097	605,428
Furniture and fixtures	138,823	138,824
Other assets	116,552	116,552
Total fixed assets	<u>4,247,032</u>	<u>4,231,364</u>
Accumulated depreciation and amortization	<u>(1,083,287)</u>	<u>(926,958)</u>
Net fixed assets	<u>3,163,745</u>	<u>3,304,406</u>
License	<u>5,500,000</u>	<u>5,500,000</u>
<b>Total Assets</b>	<b><u>\$ 11,447,176</u></b>	<b><u>\$ 12,038,215</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 112,629	\$ 227,871
Deferred underwriting revenue	100,000	100,000
Deferred revenue - Jazz Works	7,000	-
Other liabilities	2,894	8,173
	<u>222,523</u>	<u>336,044</u>
Non-current liabilities:		
Loans payable	3,000,000	3,000,000
Accrued interest	53,750	23,750
Deferred underwriting revenue	707,243	814,723
Total non-current liabilities	<u>3,760,993</u>	<u>3,838,473</u>
Total Liabilities	<u>3,983,516</u>	<u>4,174,517</u>
Net Assets:		
Unrestricted	6,992,803	7,345,288
Temporarily restricted	470,857	518,410
Total Net Assets	<u>7,463,660</u>	<u>7,863,698</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 11,447,176</u></b>	<b><u>\$ 12,038,215</u></b>

See accompanying notes to consolidated financial statements.

# PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE

## CONSOLIDATED STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support:</b>			
Membership dues and contributions	\$ 1,770,784	\$ -	\$ 1,770,784
Grants	9,754	655,151	664,905
Government grants	-	30,263	30,263
Underwriting revenue	1,516,977	-	1,516,977
In-kind contributions	150,200	-	150,200
Corporation for Public Broadcasting grant	-	452,624	452,624
Special events and concerts	23,749	-	23,749
Jazz Works	52,510	-	52,510
Interest and dividends	25,872	-	25,872
Gain (loss) on investments	48,692	-	48,692
Concert tickets and CD sales	31,158	-	31,158
Miscellaneous	7,977	-	7,977
Net assets released from restrictions	1,185,591	(1,185,591)	-
	<u>4,823,264</u>	<u>(47,553)</u>	<u>4,775,711</u>
<b>Expenses:</b>			
Programming	3,319,880	-	3,319,880
Management and general	635,241	-	635,241
Fundraising	1,220,628	-	1,220,628
	<u>5,175,749</u>	<u>-</u>	<u>5,175,749</u>
<b>Change in Net Assets</b>	(352,485)	(47,553)	(400,038)
<b>Net Assets:</b>			
Beginning of fiscal year	7,345,288	518,410	7,863,698
End of fiscal year	<u>\$ 6,992,803</u>	<u>\$ 470,857</u>	<u>\$ 7,463,660</u>

See accompanying notes to consolidated financial statements.

# PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support:</b>			
Membership dues and contributions	\$ 1,663,321	\$ -	\$ 1,663,321
Grants	2,900	2,426,190	2,429,090
Government grants	-	25,000	25,000
Underwriting revenue	1,187,189	-	1,187,189
In-kind contributions	26,095	-	26,095
Corporation for Public Broadcasting grant	297,972	354,693	652,665
Special events and concerts	53,152	-	53,152
Jazz Works	134,407	-	134,407
Interest and dividends	17,739	-	17,739
Gain (loss) on investments	10,011	-	10,011
Concert tickets and CD sales	24,872	-	24,872
Miscellaneous	17,114	-	17,114
Net assets released from restrictions	4,415,757	(4,415,757)	-
	<u>7,850,529</u>	<u>(1,609,874)</u>	<u>6,240,655</u>
<b>Expenses:</b>			
Programming	3,051,758	-	3,051,758
Management and general	732,279	-	732,279
Fundraising	1,144,736	-	1,144,736
	<u>4,928,773</u>	<u>-</u>	<u>4,928,773</u>
<b>Change in Net Assets</b>	2,921,756	(1,609,874)	1,311,882
<b>Net Assets:</b>			
Beginning of fiscal year	4,423,532	2,128,284	6,551,816
End of fiscal year	<u>\$ 7,345,288</u>	<u>\$ 518,410</u>	<u>\$ 7,863,698</u>

See accompanying notes to consolidated financial statements.

# PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE

## CONSOLIDATED STATEMENTS OF CASH FLOW

FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (400,038)	\$ 1,311,882
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	156,329	145,054
Net depreciation (appreciation) of investments	(48,692)	(10,011)
Loss on fixed assets	-	18,222
Change in:		
Accounts receivable	(1,314)	(203,857)
Grants receivable	(31,489)	45,000
Prepaid expenses	(19,401)	(89,612)
Security deposit	4,044	(4,526)
Accounts payable	(115,242)	92,930
Deferred underwriting revenue	(107,480)	(85,277)
Deferred revenue - Jazz Works	7,000	-
Other liabilities	24,721	31,923
Total adjustments	(131,524)	(60,154)
Net cash provided by (used in) operating activities	(531,562)	1,251,728
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	-	(15,560)
Sale of investments	116,721	-
License purchase	-	(4,000,000)
Fixed asset purchases	(15,670)	(442,017)
Net cash provided by (used in) investing activities	101,051	(4,457,577)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from long-term debt	-	2,500,000
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(430,511)	(705,849)
<b>Cash and Cash Equivalents:</b>		
Beginning of fiscal year	1,920,602	2,626,451
End of fiscal year	<u>\$ 1,490,091</u>	<u>\$ 1,920,602</u>
<b>Supplemental Disclosure:</b>		
Cash paid for interest	<u>\$ 158,420</u>	<u>\$ 149,618</u>
<b>Noncash Activity:</b>		
Deferred underwriting in connection with license purchase	<u>\$ -</u>	<u>\$ 1,000,000</u>
Loan in connection with license purchase	<u>\$ -</u>	<u>\$ 500,000</u>
In-kind contributions	<u>\$ 180,620</u>	<u>\$ 26,095</u>

See accompanying notes to consolidated financial statements.



# **PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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### **1. ORGANIZATION**

#### Basis of Reporting

The consolidated financial statements (financial statements) include the accounts of the Pittsburgh Community Broadcasting Corporation (Corporation) and its affiliate, Essential Public Media, Inc. (EPM), collectively for these footnotes referred to as “the Organization.” All significant intercompany balances and transactions have been eliminated in consolidating.

#### Nature of Operations

The Corporation is a nonprofit corporation which is an independent voice, inspiring our community with diverse music and vibrant ideas. The majority of revenues and support is derived from membership dues, annual grants from the Corporation for Public Broadcasting, and underwriting fees received from individuals or companies.

During the fiscal year ended June 30, 2011, Pittsburgh EPM, Inc., a nonprofit corporation, was created to take over ownership and the operations of WDUQ 90.5 (WDUQ). During fiscal year 2012, this corporation took over ownership and operations of WDUQ. The new station is an all-news and talk public radio station. During fiscal year 2013, EPM’s name was formally changed to Essential Public Media, Inc.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

#### Net Asset Classes

The assets, liabilities, and net assets of the Organization are reported in net asset classes of unrestricted and temporarily restricted funds that are used to accumulate all unrestricted or temporarily restricted resources, respectively, from operations. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to

# **PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. All restricted revenue received in the fiscal year is reported as temporarily restricted revenue and released when time restriction ends or purpose restriction is accomplished.

### Basis of Accounting

The accrual basis of accounting is followed by the Organization. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

### Revenue Recognition

Membership dues and contributions are recognized as revenues when received. A promise to give is a written or oral agreement to contribute cash or other assets to an entity. In order for the promise to be recognized in the financial statements, there must be sufficient evidence in the form of verifiable documentation that such a promise was made and that it is legally enforceable. Due to the fact that the Organization's membership pledges are not supported by such documentation, they are not recognized as revenues when pledged.

### Deferred Underwriting Revenue

Deferred underwriting revenue represents future underwriting agreed to by the seller as a portion of the purchase price of the WDUQ station. Deferred underwriting revenue will be recognized ratably over the ten-year period in which EPM is obligated to provide related benefits to the seller.

### Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when acquired. The total cash held by the Corporation at June 30, 2013 and 2012 includes \$338,321 and \$20,022, respectively, in monies that are not insured by federal depository insurance. Also, the total cash held by EPM at June 30, 2013 and 2012 includes \$640,862 and \$516,872, respectively, in monies that are not insured by federal depository insurance. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

# **PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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### Cash Held in Escrow

Cash held in escrow comprises funds provided to one of the loan providers for the WDUQ purchase as security for the loan. When EPM has repaid \$750,000 of the loan, \$125,000 of cash will be released from escrow. The remaining escrow funds will be released after the principal is reduced by an additional \$750,000.

### Investments

Investments are presented at fair value. Financial instruments, which potentially expose the Organization to concentrations of credit risk, include cash and investments in marketable securities. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the consolidated statements of financial position.

### Accounts Receivable

Accounts receivable are reported at amounts management expects to collect on balances outstanding at year-end. Accounts receivable are charged off as uncollectible when management determines the receivable will not be collected. No allowance for uncollectible accounts was deemed necessary as determined by management on the specific identification basis at June 30, 2013 and 2012. All receivables are expected to be collected within a year.

### Prepaid Assets

Prepaid assets represent health insurance, business insurance, workers' compensation insurance, and other fiscal year 2014 expenses paid in fiscal year 2013.

### Fixed Assets, Depreciation, and Amortization

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Effective July 1, 2011, the Corporation and EPM increased the fixed asset capitalization threshold to \$5,000. This policy change was not applied retrospectively.

# **PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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Asset depreciation and amortization, which was \$156,329 for fiscal year 2013 and \$145,054 for fiscal year 2012, is calculated using the straight-line method over the following estimated useful lives:

Building	40 years
Broadcasting and transmission equipment	3 to 15 years
Leasehold improvements	40 years
Software	3 to 5 years
Office equipment	3 to 10 years
Furniture and fixtures	3 to 15 years

Acquisition costs are amortized using the straight-line method over 15 years.

### License

During fiscal year 2012, EPM purchased WDUQ, and an asset of \$5,500,000 was recorded on the ledger. This asset represents the value of the radio station's license at time of purchase. Broadcast licenses are not amortized, but are subject to testing for impairment each year. Based on the results of impairment testing performed in the current fiscal year, no impairment adjustments were made to the value of the license.

### Accounting 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Concentration of Risk Factors and Economic Dependency

The Organization's main source of revenue is earned through memberships from listeners within the Allegheny County area, contributions, and grants. Total support received by the Organization in the form of grants and contributions was approximately 63% and 77% of total revenue for the years ended June 30, 2013 and 2012, respectively. During the years ended June 30, 2013 and 2012, respectively, 15% and 36% of grants and contributions were provided by one contributor. Management anticipates that support will continue from Organization contributors

# **PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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and grantors. In addition, its employees, underwriters, and vendors primarily reside in the Allegheny County area. Thus, economic and demographic influences on the Allegheny County area have a substantial impact on the Organization's operations.

### **Financial Instruments**

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments.
- Investments: The fair values of investments are based on quoted market prices for those or similar investments. See Note 5 for further disclosure.

### **Subsequent Events**

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

## **3. TAX-EXEMPT STATUS**

The Corporation and EPM are not-for-profit corporations and are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Further, the Corporation and EPM annually file a Form 990 as applicable. The form filed is subject to examination by the Internal Revenue Service for three years after it is filed.

## **4. GRANTS RECEIVABLE**

As of June 30th, the Organization had grants receivable as follows:

# PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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	2013	2012
Due within one year	\$ 407,741	\$ 455,000
Due in over one year	78,748	-
	<u>\$ 486,489</u>	<u>\$ 455,000</u>

### 5. INVESTMENTS

Investments consist of equities, mutual funds, and securities. The fair market value of the investments as of June 30, 2013 and 2012 is \$414,116 and \$482,143, respectively.

The total returns on investments and cash equivalents for the years ended June 30, 2013 and 2012 are summarized as follows:

	2013	2012
	Unrestricted	Unrestricted
Interest on cash and cash equivalents	\$ 7,081	\$ 3,915
Dividends on investments	18,791	13,824
Appreciation of investments	48,692	10,011
Investment income and gain recognized	<u>\$ 74,564</u>	<u>\$ 27,750</u>

Earnings on temporarily restricted net assets are reflected within the unrestricted net asset class as such earnings are not determined to be themselves temporarily restricted.

Fair values of assets measured on a recurring basis as of June 30, 2013 and 2012 are as follows:

# PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

Description	06/30/13	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Wellington Fund				
mutual fund - stocks and bonds	\$ 411,718	\$ 411,718	\$ -	\$ -
Lincoln Financial forfeiture account	2,398	2,398	-	-
Totals	<u>\$ 414,116</u>	<u>\$ 414,116</u>	<u>\$ -</u>	<u>\$ -</u>

Description	06/30/12	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Wellington Fund				
mutual fund -stocks and bonds	\$ 479,825	\$ 479,825	\$ -	\$ -
Lincoln Financial forfeiture account	2,318	2,318	-	-
Totals	<u>\$ 482,143</u>	<u>\$ 482,143</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for Level 1 financial instruments are determined by quoted prices in the active market for identical financial instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Corporation's own assumptions in determining the fair value of financial instruments.

### 6. LOANS PAYABLE

Long-term loans consist of the following:

# PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	December 31, 2013	2012
A \$500,000 note payable to finance the purchase of WDUQ with a term of four years. The Note shall bear interest at 6% simple interest per year. Accrued interest and principal on the Note shall be due and payable in full at the end of the terms. The note is secured by all equipment and operating assets of EPM.	\$ 500,000	\$ 500,000
A \$2,500,000 note payable to finance the purchase of WDUQ dated September 15, 2011. The outstanding principal balance of the loan shall bear interest at Prime Rate plus 3%. Interest is paid quarterly. The Note shall be due and payable in full at September 15, 2016. The Note is secured by all EPM deposit and security accounts, EPM accounts receivable, EPM donor pledges, all and future EPM incomes, and equipment and operating assets.	2,500,000	2,500,000
	3,000,000	3,000,000
Less: current portion of long-term debt	-	-
	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

At December 31, 2013, the scheduled principal payments on the debt by fiscal year are as follows:

2014	\$ -
2015	-
2016	500,000
2017	2,500,000
	<u>\$ 3,000,000</u>



# **PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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### **7. IN-KIND CONTRIBUTIONS**

Accounting principles generally accepted in the United States of America require recognition of contributed services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by the donor. Accordingly, donated services, rentals, and materials were recognized as in-kind contributions in the accompanying financial statements at their estimated fair values at the date of receipt. The Corporation recognized revenues and related expenses of \$150,200 and \$26,095 for June 30, 2013 and 2012, respectively, for such contributions, which included the following:

	<u>2013</u>	<u>2012</u>
Programming:		
Tower rental	\$ 21,000	\$ 21,000
Facility usage	50,000	-
Management and general:		
Professional services	<u>79,200</u>	<u>5,095</u>
	<u>\$ 150,200</u>	<u>\$ 26,095</u>

### **8. RETIREMENT PLAN**

Effective July 1, 1996, the Organization adopted a 403(b) Employer Contributory Tax Deferred Annuity Plan (Plan). All full-time employees are eligible to participate in the Plan. Eligible employees may elect to contribute a portion of their compensation up to the annual maximum allowed by the Internal Revenue Service. After six months of employment, eligible employees' contributions may be matched by the Corporation. During fiscal years 2013 and 2012, the Organization elected to match, dollar-for-dollar, each employee's contribution up to a maximum of 6% of compensation per pay. Total contributions for fiscal years 2013 and 2012 were approximately \$43,559 and \$34,399, respectively.

# PITTSBURGH COMMUNITY BROADCASTING CORPORATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

### 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets have been recorded for the following purposes:

	June 30, 2013	June 30, 2012
Allegheny Front - operating	\$ 339	\$ 119,200
Allegheny Front - conservation programming	104,088	55,127
Allegheny Front - freelance reporting	-	9,500
Allegheny Front - corporate sponsorship program	8,910	-
PA Streams	5,263	6,192
Teen Center	-	7,500
News Vision and Re(imagiNation) Media	-	19,792
Essential Public Media - fellowship program	27,066	150,000
Essential Public Media - digital newsroom	-	138,599
Essential Public Media - Learning Initiative	212,620	-
Purchase of Equipment	75,071	-
Behavioral Health Care Reporting	25,000	-
Future Operating	12,500	12,500
	<u>\$ 470,857</u>	<u>\$ 518,410</u>

Net assets were released from donor restrictions during the years ended June 30, 2013 and 2012 by incurring expenses satisfying the restricted purpose and the lapsing of time restrictions in the amount of \$1,185,591 and \$4,415,757, respectively.

### 10. RELATED PARTY ACTIVITY

A member of the EPM's Board of Directors is employed by Public Media Company. Public Media Company provided consulting services to EPM. During fiscal years 2013 and 2012, EPM paid \$95,000 and \$111,297, respectively, to Public Media Company. EPM considers the consulting contract to have been negotiated at "arm's length" and not indicative of a conflict of interest.

Also, one member of the EPM's Board of Directors is employed by Public Radio Capital, and another sits on its board. Public Radio Capital provided consulting services to EPM. During fiscal year 2012, EPM paid \$150,443 to Public Radio

**PITTSBURGH COMMUNITY  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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Capital. No funds were paid to Public Radio Capital during fiscal year 2013. EPM considers the consulting contract to have been negotiated at “arm’s length” and not indicative of a conflict of interest.

## **Supplementary Information**

**PITTSBURGH COMMUNITY  
BROADCASTING CORPORATION  
AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

<b>Assets</b>	WYEP	EPM, LLC	Essential Public Media, Inc.	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 676,141	\$ -	\$ 563,159	\$ -	\$ 1,239,300
Accounts receivable	109,461	-	156,280	-	265,741
Accounts receivable - affiliate	-	-	80,991	(80,991)	-
Grants receivable	238,993	-	168,748	-	407,741
Prepaid expenses	61,504	-	65,008	-	126,512
Total current assets	1,086,099	-	1,034,186	(80,991)	2,039,294
Grant receivable	-	-	78,748	-	78,748
Security deposit	-	-	482	-	482
Cash held in escrow	-	-	250,791	-	250,791
Investments	414,116	-	-	-	414,116
Fixed assets:					
Land	225,000	-	-	-	225,000
Building and improvements	2,973,351	-	172,209	-	3,145,560
Equipment and software	546,985	-	74,112	-	621,097
Furniture and fixtures	125,579	-	13,244	-	138,823
Other assets	-	-	116,552	-	116,552
Total fixed assets	3,870,915	-	376,117	-	4,247,032
Accumulated depreciation and amortization	(1,037,179)	-	(46,108)	-	(1,083,287)
Net fixed assets	2,833,736	-	330,009	-	3,163,745
License	-	-	5,500,000	-	5,500,000
Investment in subsidiary	250,000	-	-	(250,000)	-
<b>Total Assets</b>	<b>\$ 4,583,951</b>	<b>\$ -</b>	<b>\$ 7,194,216</b>	<b>\$ (330,991)</b>	<b>\$ 11,447,176</b>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 54,928	\$ -	57,701	\$ -	\$ 112,629
Accounts payable - affiliate	80,991	-	-	(80,991)	-
Deferred underwriting revenue	-	-	100,000	-	100,000
Deferred revenue - Jazz Works	-	-	7,000	-	7,000
Other liabilities	1,275	-	1,619	-	2,894
Total current liabilities	137,194	-	166,320	(80,991)	222,523
Non-current liabilities:					
Loans payable	-	-	3,000,000	-	3,000,000
Accrued interest	-	-	53,750	-	53,750
Deferred underwriting revenue	-	-	707,243	-	707,243
Total non-current liabilities	-	-	3,760,993	-	3,760,993
Total Liabilities	137,194	-	3,927,313	(80,991)	3,983,516
Net Assets:					
Unrestricted	4,315,657	-	2,927,146	(250,000)	6,992,803
Temporarily restricted	131,100	-	339,757	-	470,857
Total Net Assets	4,446,757	-	3,266,903	(250,000)	7,463,660
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,583,951</b>	<b>\$ -</b>	<b>\$ 7,194,216</b>	<b>\$ (330,991)</b>	<b>\$ 11,447,176</b>

**PITTSBURGH COMMUNITY  
BROADCASTING CORPORATION  
AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

<b>Assets</b>	WYEP	EPM, LLC	Essential Public Media, Inc.	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 660,084	\$ -	\$ 1,010,518	\$ -	\$ 1,670,602
Accounts receivable	80,869	-	183,558	-	264,427
Accounts receivable - affiliate	-	-	310,743	(310,743)	-
Grants receivable	455,000	-	-	-	455,000
Prepaid expenses	55,563	-	51,548	-	107,111
Total current assets	1,251,516	-	1,556,367	(310,743)	2,497,140
Grant receivable	-	-	-	-	-
Security deposit	-	-	4,526	-	4,526
Cash held in escrow	-	-	250,000	-	250,000
Investments	482,143	-	-	-	482,143
Fixed assets:					
Land	225,000	-	-	-	225,000
Building and improvements	2,973,351	-	172,209	-	3,145,560
Equipment and software	546,986	-	58,442	-	605,428
Furniture and fixtures	125,580	-	13,244	-	138,824
Other assets	-	-	116,552	-	116,552
Total fixed assets	3,870,917	-	360,447	-	4,231,364
Accumulated depreciation and amortization	(910,384)	-	(16,574)	-	(926,958)
Net fixed assets	2,960,533	-	343,873	-	3,304,406
License	-	-	5,500,000	-	5,500,000
Investment in subsidiary	250,000	-	-	(250,000)	-
<b>Total Assets</b>	<b>\$ 4,944,192</b>	<b>\$ -</b>	<b>\$ 7,654,766</b>	<b>\$ (560,743)</b>	<b>\$ 12,038,215</b>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 68,607	\$ -	\$ 159,264	\$ -	\$ 227,871
Accounts payable - affiliate	310,743	-	-	(310,743)	-
Deferred revenue - Jazz Works	-	-	-	-	-
Deferred underwriting revenue	-	-	100,000	-	100,000
Other liabilities	703	-	7,470	-	8,173
Total current liabilities	380,053	-	266,734	(310,743)	336,044
Non-current liabilities:					
Loans payable	-	-	3,000,000	-	3,000,000
Accrued interest	-	-	23,750	-	23,750
Deferred underwriting revenue	-	-	814,723	-	814,723
Total non-current liabilities	-	-	3,838,473	-	3,838,473
Total Liabilities	380,053	-	4,105,207	(310,743)	4,174,517
Net Assets:					
Unrestricted	4,334,328	-	3,260,960	(250,000)	7,345,288
Temporarily restricted	229,811	-	288,599	-	518,410
Total Net Assets	4,564,139	-	3,549,559	(250,000)	7,863,698
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,944,192</b>	<b>\$ -</b>	<b>\$ 7,654,766</b>	<b>\$ (560,743)</b>	<b>\$ 12,038,215</b>

**PITTSBURGH COMMUNITY  
BROADCASTING CORPORATION  
AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

	WYEP				Essential Public Media, Inc.				
	Unrestricted	Temporarily Restricted	Total	EPM, LLC	Unrestricted	Temporarily Restricted	Total	Eliminations	Total
<b>Revenues and Other Support:</b>									
Membership dues and contributions	\$ 610,763	\$ -	\$ 610,763	\$ -	\$ 1,160,021	\$ -	\$ 1,160,021	\$ -	\$ 1,770,784
Grants	3,744	208,439	212,183	-	6,010	446,712	452,722	-	664,905
Government grants	-	30,263	30,263	-	-	-	-	-	30,263
Grants from affiliate	-	-	-	-	-	309,893	309,893	(309,893)	-
Underwriting revenue	522,442	-	522,442	-	994,535	-	994,535	-	1,516,977
In-kind contributions	73,150	-	73,150	-	77,050	-	77,050	-	150,200
In-kind contributions - affiliate	-	-	-	-	30,420	-	30,420	(30,420)	-
Corporation for Public Broadcasting grant	-	452,624	452,624	-	-	-	-	-	452,624
Special events and concerts	23,749	-	23,749	-	-	-	-	-	23,749
Jazz Works	-	-	-	-	52,510	-	52,510	-	52,510
Interest and dividends	23,454	-	23,454	-	2,418	-	2,418	-	25,872
Gain (loss) on investments	48,692	-	48,692	-	-	-	-	-	48,692
Concert tickets and CD sales	31,158	-	31,158	-	-	-	-	-	31,158
Miscellaneous	50,144	-	50,144	-	7,887	-	7,887	(50,054)	7,977
Net assets released from restrictions *	790,037	(790,037)	-	-	705,447	(705,447)	-	-	-
Total revenues and other support	2,177,333	(98,711)	2,078,622	-	3,036,298	51,158	3,087,456	(390,367)	4,775,711
<b>Expenses:</b>									
Programming	1,575,854	-	1,575,854	-	2,134,393	-	2,134,393	(390,367)	3,319,880
Management and general	193,183	-	193,183	-	442,058	-	442,058	-	635,241
Fundraising	426,967	-	426,967	-	793,661	-	793,661	-	1,220,628
Total expenses	2,196,004	-	2,196,004	-	3,370,112	-	3,370,112	(390,367)	5,175,749
<b>Change in Net Assets</b>	(18,671)	(98,711)	(117,382)	-	(333,814)	51,158	(282,656)	-	(400,038)
<b>Investment in Subsidiary</b>	-	-	-	-	-	-	-	-	-
<b>Change in Net Assets after Investment</b>	(18,671)	(98,711)	(117,382)	-	(333,814)	51,158	(282,656)	-	(400,038)
<b>Net Assets:</b>									
Beginning of fiscal year	4,334,328	229,811	4,564,139	-	3,260,960	288,599	3,549,559	(250,000)	7,863,698
End of fiscal year	\$ 4,315,657	\$ 131,100	\$ 4,446,757	\$ -	\$ 2,927,146	\$ 339,757	\$ 3,266,903	\$ (250,000)	\$ 7,463,660
 * Total net assets released from restriction	 \$ (1,495,484)								
Grants to affiliate	309,893								
Consolidated net assets released from restriction	\$ (1,185,591)								

**PITTSBURGH COMMUNITY  
BROADCASTING CORPORATION  
AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

	WYEP				Essential Public Media, Inc.				
	Unrestricted	Temporarily Restricted	Total	EPM, LLC	Unrestricted	Temporarily Restricted	Total	Eliminations	Total
<b>Revenues and Other Support:</b>									
Membership dues and contributions	\$ 622,035	\$ -	\$ 622,035	\$ -	\$ 1,041,286	\$ -	\$ 1,041,286	\$ -	\$ 1,663,321
Grants	900	2,364,427	2,365,327	-	2,000	61,763	63,763	-	2,429,090
Government grants	-	25,000	25,000	-	-	-	-	-	25,000
Grants from affiliate	-	-	-	5,409,888	245,823	2,318,728	2,564,551	(7,974,439)	-
Underwriting revenue	428,471	-	428,471	-	758,718	-	758,718	-	1,187,189
In-kind contributions	23,050	-	23,050	-	3,045	-	3,045	-	26,095
In-kind contributions - affiliate	-	-	-	-	5,376,899	-	5,376,899	(5,376,899)	-
Corporation for Public Broadcasting grant	297,972	354,693	652,665	-	-	-	-	-	652,665
Special events and concerts	53,152	-	53,152	-	-	-	-	-	53,152
Jazz Works	-	-	-	-	134,407	-	134,407	-	134,407
Interest and dividends	14,612	-	14,612	-	3,127	-	3,127	-	17,739
Gain (loss) on investments	10,011	-	10,011	-	-	-	-	-	10,011
Concert tickets and CD sales	24,872	-	24,872	-	-	-	-	-	24,872
Miscellaneous	46,947	-	46,947	-	2,114	-	2,114	(31,947)	17,114
Net assets released from restrictions *	2,730,919	(2,730,919)	-	-	4,003,566	(4,003,566)	-	-	-
Total revenues and other support	4,252,941	13,201	4,266,142	5,409,888	11,570,985	(1,623,075)	9,947,910	(13,383,285)	6,240,655
<b>Expenses:</b>									
Programming	3,581,343	-	3,581,343	5,409,578	7,444,122	-	7,444,122	(13,383,285)	3,051,758
Management and general	234,030	-	234,030	310	497,939	-	497,939	-	732,279
Fundraising	512,083	-	512,083	-	632,653	-	632,653	-	1,144,736
Total expenses	4,327,456	-	4,327,456	5,409,888	8,574,714	-	8,574,714	(13,383,285)	4,928,773
<b>Change in Net Assets</b>	(74,515)	13,201	(61,314)	-	2,996,271	(1,623,075)	1,373,196	-	1,311,882
<b>Investment in Subsidiary</b>	-	-	-	-	250,000	-	250,000	(250,000)	-
<b>Change in Net Assets after Investment</b>	(74,515)	13,201	(61,314)	-	3,246,271	(1,623,075)	1,623,196	(250,000)	1,311,882
<b>Net Assets:</b>									
Beginning of fiscal year	4,408,843	216,610	4,625,453	-	14,689	1,911,674	1,926,363	-	6,551,816
End of fiscal year	\$ 4,334,328	\$ 229,811	\$ 4,564,139	\$ -	\$ 3,260,960	\$ 288,599	\$ 3,549,559	\$ (250,000)	\$ 7,863,698
 * Total net assets released from restriction	 \$ (6,734,485)								
Grants to affiliate	2,318,728								
Consolidated net assets released from restriction	\$ (4,415,757)								



**PITTSBURGH COMMUNITY  
BROADCASTING CORPORATION  
AND AFFILIATE**

**CONSOLIDATING STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

	WYEP	EPM, LLC	Essential Public Media, Inc.	Eliminations	Total
<b>Cash Flows From Operating Activities:</b>					
Change in net assets	\$ (117,382)	\$ -	\$ (282,656)	\$ -	\$ (400,038)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:					
Depreciation and amortization	126,795	-	29,534	-	156,329
Net depreciation (appreciation) of investments	(48,692)	-	-	-	(48,692)
Loss on fixed assets	-	-	-	-	-
Change in:					
Accounts receivable	(28,592)	-	27,278	-	(1,314)
Accounts receivable - affiliate	-	-	229,752	(229,752)	-
Grants receivable	216,007	-	(247,496)	-	(31,489)
Prepaid expenses	(5,941)	-	(13,460)	-	(19,401)
Security deposit	-	-	4,044	-	4,044
Accounts payable	(13,679)	-	(101,563)	-	(115,242)
Accounts payable - affiliate	(229,752)	-	-	229,752	-
Deferred underwriting revenue	-	-	(107,480)	-	(107,480)
Deferred revenue - Jazz Works	-	-	7,000	-	7,000
Other liabilities	572	-	24,149	-	24,721
Total adjustments	16,718	-	(148,242)	-	(131,524)
Net cash provided by (used in) operating activities	(100,664)	-	(430,898)	-	(531,562)
<b>Cash Flows From Investing Activities:</b>					
Purchases of investments	-	-	-	-	-
Sales of investments	116,721	-	-	-	116,721
Investment in subsidiary	-	-	-	-	-
License purchase	-	-	-	-	-
Fixed asset purchases	-	-	(15,670)	-	(15,670)
Net cash provided by (used in) investing activities	116,721	-	(15,670)	-	101,051
<b>Cash Flows From Financing Activities:</b>					
Proceeds from long-term debt	-	-	-	-	-
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	16,057	-	(446,568)	-	(430,511)
<b>Cash and Cash Equivalents:</b>					
Beginning of fiscal year	660,084	-	1,260,518	-	1,920,602
End of fiscal year	\$ 676,141	\$ -	\$ 813,950	\$ -	\$ 1,490,091
<b>Supplemental Disclosure:</b>					
Cash paid for interest	\$ -	\$ -	\$ 158,420	\$ -	\$ 158,420
<b>Noncash Activity:</b>					
Deferred underwriting in connection with license purchase	\$ -	\$ -	\$ -	\$ -	\$ -
Loan in connection with license purchase	\$ -	\$ -	\$ -	\$ -	\$ -
In-kind contributions	\$ 73,150	\$ -	\$ 107,470	\$ -	\$ 180,620

**PITTSBURGH COMMUNITY  
BROADCASTING CORPORATION  
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**CONSOLIDATING STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2012

	WYEP	EPM, LLC	Essential Public Media, Inc.	Eliminations	Total
<b>Cash Flows From Operating Activities:</b>					
Change in net assets	\$ (61,314)	\$ -	\$ 1,623,196	\$ (250,000)	\$ 1,311,882
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:					
Depreciation and amortization	128,480	-	16,574	-	145,054
Net depreciation (appreciation) of investments	(10,011)	-	-	-	(10,011)
Loss on fixed assets	18,222	-	-	-	18,222
Change in:					
Accounts receivable	(20,299)	-	(183,558)	-	(203,857)
Accounts receivable - affiliate	52,628	1,937	189,257	(243,822)	-
Grants receivable	45,000	-	-	-	45,000
Prepaid expenses	(38,064)	-	(51,548)	-	(89,612)
Security deposit	-	-	(4,526)	-	(4,526)
Accounts payable	55,111	-	37,819	-	92,930
Accounts payable - affiliate	(189,257)	(2,172)	(52,393)	243,822	-
Deferred underwriting revenue	-	-	(85,277)	-	(85,277)
Deferred revenue - Jazz Works	-	-	-	-	-
Other liabilities	703	-	31,220	-	31,923
Total adjustments	42,513	(235)	(102,432)	-	(60,154)
Net cash provided by (used in) operating activities	(18,801)	(235)	1,520,764	(250,000)	1,251,728
<b>Cash Flows From Investing Activities:</b>					
Purchases of investments	(15,560)	-	-	-	(15,560)
Sales of investments	-	-	-	-	-
Investment in subsidiary	(250,000)	-	-	250,000	-
License purchase	-	-	(4,000,000)	-	(4,000,000)
Fixed asset purchases	(96,259)	-	(345,758)	-	(442,017)
Net cash provided by (used in) investing activities	(361,819)	-	(4,345,758)	250,000	(4,457,577)
<b>Cash Flows From Financing Activities:</b>					
Proceeds from long-term debt	-	-	2,500,000	-	2,500,000
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(380,620)	(235)	(324,994)	-	(705,849)
<b>Cash and Cash Equivalents:</b>					
Beginning of fiscal year	1,040,704	235	1,585,512	-	2,626,451
End of fiscal year	\$ 660,084	\$ -	\$ 1,260,518	\$ -	\$ 1,920,602
<b>Supplemental Disclosure:</b>					
Cash paid for interest	\$ -	\$ -	\$ 149,618	\$ -	\$ 149,618
<b>Noncash Activity:</b>					
Deferred underwriting in connection with license purchase	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Loan in connection with license purchase	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
In-kind contributions	\$ 23,050	\$ -	\$ 5,379,944	\$ (5,376,899)	\$ 26,095