COLORADO PUBLIC TELEVISION, INC.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

Hull and Associates, P.C.
Certified Public Accountants
780 Simms Street, Suite 200
Golden, Colorado 80401

COLORADO PUBLIC TELEVISION, INC.
Denver, Colorado

TABLE OF CONTENTS

HULL & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
780 Simms Street □ Suite 200 □ Golden, Colorado 80401 □ 303 202-2702 □ Fax: 303 202-2711 □ hullassoc@qwestoffice.net

INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Public Television, Inc.
Denver, Colorado

We have audited the accompanying statements of financial position of Colorado Public Television, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Public Television, Inc. as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of functional expenses on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hull & Associates, PC

Hull & Associates, P.C.
Certified Public Accountants

Golden, Colorado
January 23, 2013

COLORADO PUBLIC TELEVISION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 17,844	$ 36,434
Accounts receivable, net	296,125	183,955
Grants receivable	24,075	0
Pledges receivable	4,484	2,808
Prepaid and other	109,655	127,920
Total current assets	452,183	351,117
Property and equipment, net	2,958,504	3,110,049
Other assets		
Other investments	57,020	35,444
Certificates of deposit	274,133	271,863
Endowment funds, Board designated	3,527,644	3,076,293
Endowment funds, permanent	218,437	185,530
	4,077,234	3,569,130
Total assets	$ 7,487,921	$ 7,030,296
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 357,808	$ 244,127
Accrued payroll and payroll taxes	71,381	66,782
Customer deposits	52,553	4,500
Other liabilities, current portion	25,000	5,000
Note payable, current portion	25,685	19,918
Line of credit	193,500	193,963
Total current liabilities	725,927	534,290
Long term liabilities		
Note payable, net of current portion	203,370	226,061
Other liabilities, net of current portion	65,000	70,000
Total long term liabilities	268,370	296,061
Total liabilities	994,297	830,351
Net assets		
Unrestricted		
Undesignated, available for operations	2,181,162	2,365,461
Designated	274,133	271,863
Board designated endowment	3,527,644	3,076,293
Total unrestricted	5,982,939	5,713,617
Temporarily restricted	325,826	301,469
Permanently restricted	184,859	184,859
Total net assets	6,493,624	6,199,945
Total liabilities and net assets	$ 7,487,921	$ 7,030,296

The accompanying notes are an integral part of these financial statements.

COLORADO PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2012 and 2011

	2012	2011
Changes in unrestricted net assets:		
Revenues:		
Membership revenue	$ 1,411,869	$ 1,417,201
Special events	742,259	599,155
Community service grants	564,270	589,473
Lease revenue, excess capacity	551,074	535,072
Contributions and grants	354,507	312,103
Rental income	85,844	86,850
Production and other	68,856	60,397
In-kind contributions	20,500	7,294
Miscellaneous income	18,952	25,016
Interest income	74,250	78,798
Gain on sale of investments	1,664	1,694
Unrealized gain (loss) on investments	555,111	(112,997)
Total unrestricted revenues	4,449,156	3,600,056
Net assets released from restrictions:		
Satisfaction of program and other restrictions	239,438	211,634
Satisfaction of equipment acquisition restrictions	55,685	64,083
Total net assets released from restrictions	295,123	275,717
Total unrestricted revenues, and other support	4,744,279	3,875,773
Expenses and transfer		
Program services:		
Programming and production	981,622	903,583
Broadcasting	775,862	1,063,887
Public information and promotion	239,552	264,035
Total program services	1,997,036	2,231,505
Supporting services:		
Management and general	858,546	844,862
Fundraising and membership development	1,452,731	1,318,483
Underwriting and grant solicitation	166,644	253,377
Total supporting services	2,477,921	2,416,722
Total expenses	4,474,957	4,648,227
Increase (decrease) in unrestricted net assets	269,322	(772,454)
Changes in temporarily restricted net assets		
Production	122,580	103,123
Other grants and contributions	196,900	152,368
Net assets released from restrictions	(295,123)	(275,717)
Decrease in temporarily restricted net assets	24,357	(20,226)
Increase (decrease) in net assets	293,679	(792,680)
Net assets at beginning of year	6,199,945	6,992,625
Net assets at end of year	$ 6,493,624	$ 6,199,945

The accompanying notes are an integral part of these financial statements.

COLORADO PUBLIC TELEVISION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets:	$ 293,679	$ (792,680)
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities:		
Depreciation and amortization	241,533	249,347
Asset impairment loss	0	321,333
Reduction in bad debt provision	(6,788)	4,364
Gain on sale of investments	(1,747)	(1,788)
Loss on disposition of assets	12,979	0
Unrealized loss (gain) on investments	(555,111)	112,997
Change in operating assets and liabilities:		
Accounts receivable	(105,382)	(44,963)
Grants receivable	(24,075)	0
Pledges receivable	(1,676)	2,871
Prepaid expenses	18,265	19,199
Accounts payable and accrued liabilities	113,681	74,819
Accrued payroll and payroll taxes	4,599	3,079
Other liabilities	15,000	(5,000)
Customer deposits	48,053	(46,696)
Net cash provided (used) by operating activities	53,010	(103,118)
Cash flows from investing activities:		
Purchase of property and equipment	(102,967)	(42,702)
Acquisition of investments	(74,247)	(78,772)
Sale of investments	144,577	153,495
Five Points Media Center Holding Company	(20,206)	777
Redemption of IREA account	(1,370)	(1,428)
Net cash provided (used) by investing activities	(54,213)	31,370
Cash flows from financing activities:		
Payments on note payable	(16,924)	(16,261)
Line of credit, net borrowing	(463)	70,337
Net cash provided (used) by financing activities	(17,387)	54,076
Net decrease in cash	(18,590)	(17,672)
Cash and cash equivalents, beginning of year	36,434	54,106
Cash and cash equivalents, end of year	$ 17,844	$ 36,434
Supplemental disclosures:		
Interest paid during the year	$ 15,916	$ 13,051
Donated investment securities	$ 1,632	1,488

The accompanying notes are an integral part of these financial statements.

Note 1. Organization

Colorado Public Television, Inc. (the Corporation) is a nonprofit corporation. The Corporation was organized to acquire, produce, and distribute educational video, audio, film, print and online materials. To distribute these materials the Corporation operates a noncommercial public television station (KBDI-TV) in the Denver metropolitan area and throughout Colorado. It holds and operates several broadcast licenses from the Federal Communications Commission for the purpose of public service, noncommercial educational transmission, including digital Channel 13 and Educational Broadcasting Service channels C1, C2, and C3 (WHR521) plus several other translator and relay signal facilities. Funds for operations come primarily from annual grants, contributions and membership, and are subject to change on an annual basis.

Note 2. Summary of Significant Accounting Policies

<u>Basis of Accounting</u>

The financial statements of Colorado Public Television, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

<u>Basis of Presentation</u>

Financial statement presentation follows the provisions of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards for Not-for-Profit Organizations. Under these provisions, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

<u>Advertising Costs</u>

The Corporation's policy is to charge advertising costs to expenses as they are incurred.

<u>Allowance for Bad Debts</u>

The Corporation provides an allowance for bad debts for underwriting receivables.

<u>Cash and Cash Equivalents</u>

For purposes of the Statement of Cash Flows, the Corporation considers all checking accounts, deposits and short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Commissions

The Corporation has agreements with individuals to solicit and acquire funds for special events and program underwriting. The agreements provide for payment of commissions to the individuals based on varying percentages of funds received. Such commissions are included in the salary expense for the Corporation.

Comparative Information

Certain information from prior years has been changed to conform to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates.

Significant estimates in these financial statements include collectibility of receivables, allowance for bad debts, fair value of non-cash donations, estimated useful lives of property and equipment, valuation of other investments and functional expenses.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services that have benefited, based on total personnel costs or other systematic basis.

Fair Values of Financial Instruments

For certain of the Corporation's financial instruments, including cash and cash equivalents, accounts receivables, accounts payable and accrued expenses payable, the carrying amounts approximate fair value due to their short maturities.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the cost of property and equipment or other assets may be impaired, an evaluation of the recoverability would be performed. If an evaluation were required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. No impairment loss was recorded in 2012. An impairment loss of $321,333 was recorded on broadcasting and transmission equipment in 2011 due to obsolescence.

Taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). During the years ended September 30, 2012 and 2011, the Corporation rented excess office space in its building. This rental income generated unrelated business income. No income taxes were due as a result of this income in prior years through 2011. Management estimates that there will be no liability in 2012 and therefore no liability was accrued. Management does not believe that the Organization holds any uncertain tax positions.

Property taxes have been accrued based on the prior year actual amounts.

In-Kind Contributions and Donated Services

In-kind contributions are recorded as revenue and expense at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service, as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

A large number of people have contributed significant amounts of time to the activities of the Corporation without compensation. The financial statements do not reflect the value of those contributed services because they are not measurable as required by financial accounting standards.

Pledges

The Corporation engages in fund-raising campaigns by offering some special television programs and on-air, mail and, electronic fund-raising appeals. These appeals encourage supporters to provide financial contributions to the Corporation to support programming services and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. Contributions and collected pledges are components of the unrestricted operating fund when their usage is not limited to specific activities of the Corporation. This usage is consistent with the appeals for contributions and pledges.

Certain fund-raising campaigns are for specific purposes. The amounts raised as a result of those campaigns are treated as temporarily restricted net assets until such time as the funds are expended for the intended purposes.

Production Revenue

The Corporation uses the percentage of completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

A substantial portion of current productions are funded by donations for specific programs. The donated amounts are treated as temporarily restricted net assets until related costs are incurred to produce the shows.

Program Underwriting

Revenue for program underwriting was recorded per contract terms either on a pro rata basis for the period covered or as underwriting announcements were aired. Payments received in advance of airing the underwriting spots are reflected in customer deposits on the Statements of Financial Position.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated property or equipment at estimated fair value determined as of the date of receipt. All purchases of property and equipment in excess of $500 are capitalized.

Depreciation is calculated by the straight-line method over the estimated lives of individual assets, which range from 3 to 99 years as follows:

Building	40 years
Land improvements	99 years
Building improvements	5-30 years
Transmission and production equipment	3-20 years
Office equipment, furniture and fixtures	3-5 years
Vehicles	5 years
Software	3-5 years
Leasehold improvements	18-20 years

Revenue Recognition

Unrestricted contributions, pledges, and grants are recognized as revenue in the Statements of Activities upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or accrual. Expenditures of unrestricted funds are recognized as expenses when expended or upon occurrence of the related liability.

Note 3. Cash

	2012	2011
Unrestricted		
Checking accounts and petty cash	$ 3,630	$ 10,547
Money market accounts	476	12,150
	4,106	22,697
Temporarily restricted		
Cash in checking account	13,738	13,737
Total cash and cash equivalents	$ 17,844	$ 36,434

Note 4. Accounts receivable

Accounts receivable consist of the following:

	2012	2011
Underwriting	$ 17,409	$ 32,893
Production & Distribution	16,104	12,238
Endowment distribution	41,859	79,994
Events proceeds	165,669	0
Other	10,489	22,362
Lease revenue (Note 15)	46,146	44,808
	297,676	192,295
Less allowance for bad debts	1,551	8,340
Net accounts receivable	$ 296,125	$ 183,955

Note 5. Pledges Receivable

Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received. However, uncollected pledges are not enforceable against contributors. Pledges receivable are the remaining amounts estimated to be collectible for pledges made during the later part of the fiscal years ended September 30, 2012 and 2011. The amounts are based upon an average historical pledge collection rate of 92% and 91% for the years ending September 30, 2012 and 2011. The collection rate percentage is applied to the gross pledges, the amounts collected then subtracted to arrive at the pledges receivable. Membership pledges receivable were $4,484 and $2,808 as of September 30, 2012 and 2011. All amounts in membership pledges receivable are expected to be collected in one year and management does not have an allowance for doubtful accounts on pledges.

Note 6. Investments

Investments consist of certificates of deposit, equity funds, bond funds and, an endowment fund. All are presented in the financial statements at fair value based on quoted prices in active markets or on third-party reported net asset values for pooled investments (all Level 1 measurements). Market risk could occur and is dependent on the future changes in market prices of the various investments held. There were no transfers between levels during the year.

The certificates of deposit are designated for use by the Board of Directors of the Corporation (see Note 11). The interest earned on the certificates of deposit was $2,270 and $3,371 for the years ended September 30, 2012 and 2011, respectively. The other investments are held in board and donor designated endowment funds; the investment income is reported with other endowment information in Note 12.

Investments are composed of the following for the years ended September 30, 2012 and 2011, respectively:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	$ 274,133	$ 274,133	$ 271,863	$ 271,863
The Common Fund - multi-strategy funds	3,371,088	3,527,644	3,446,811	3,076,293
Community First Foundation - endowment fund	184,859	218,437	184,859	185,530
	$ 3,830,080	$ 4,020,214	$ 3,903,533	$ 3,533,686

Note 7. Other Investments

Other investments are as follows:

	2012	2011
IREA capital account	$ 27,826	$ 26,456
Investment in FPMCH (Note 8)	29,194	8,988
	$ 57,020	$ 35,444

The IREA income as of September 30, 2012 and 2011 was respectively $1,370 and $2,491.

Note 8. Property and Equipment

Property and equipment are stated at cost and consist of the following:

	2012	2011
Land	$ 425,253	$ 425,253
Land improvements	17,307	17,307
Building	1,907,808	1,901,625
Building improvements	161,755	161,755
Production equipment	539,360	539,360
Transmission equipment	2,275,158	2,245,668
Office furniture and equipment	142,341	141,757
Vehicles	7,873	7,873
Software	79,985	79,985
Leasehold improvements	40,111	40,111
	5,596,951	5,560,694
Less accumulated depreciation and amortization	2,638,447	2,450,645
Net totals	$ 2,958,504	$ 3,110,049

Depreciation and amortization expense was $241,533 and $249,347 as of September 30, 2012 and 2011.

Property and equipment include certain major items acquired with grants from the Public Telecommunications Facilities Program (PTFP) funded projects. The federal government maintains a reversionary interest in the items acquired for a period of ten years subsequent to the grant award (See Note 13). As of September 30, 2012 and 2011, PTFP had a lien on equipment with a net book value of $369,173 and $604,383.

In 2006, the Corporation and Denver Educational Broadcasting (KUVO) formed a non-profit corporation, Five Points Media Center Holdings, Inc. (FPMCH). This entity purchased the building at 2900 Welton Street, Denver, Colorado on December 14, 2006. The purchase price was funded solely by the assumption of an existing note on the building, payable to the City & County of Denver (Note 10). The fair market value of the building was appraised and the Corporation recorded their share as reflected above on the Building line item. Subsequent to the purchase, the building was divided into condominium units with the Corporation and KUVO each owning their respective shares (68.7% and 31.3%). The difference between the purchase price and the appraised fair market value was recognized in 2007 as an in-kind donation from the seller, Five Points Media Center Corporation, prorated based on these percentages. Each condominium owner is liable for their pro-rata share of the note payable (Note 10), however the assumed note was not legally split between the parties. In addition, the Corporation purchased KUVO's share of the third floor space for $100,000 (Note 9). FPMCH is responsible for management of the 2900 Welton Street property.

Note 9. Other Liabilities

As part of the purchase of the condominium units at 2900 Welton Street, the Corporation owed KUVO $100,000 for the Corporation's purchase of KUVO's share of the third floor space. Terms of the payment are $50,000 to be paid as an annual credit on operating expenses equal to $5,000 per year for 10 years and a non-interest bearing obligation to pay KUVO $50,000 at the end of ten years or when the Corporation sells its space, whichever comes first, with no penalty for prepayment prior to the 10-year period. The balance due to KUVO as of September 30, 2012 and September 30, 2011 was $70,000 and $75,000 respectively.

A working capital advance was provided to the Corporation by a private individual to assist in the production of a documentary film. The advance was granted in September 2012 for $20,000 at a zero percent interest rate. The funds are to be repaid when other underwriters for the project are secured.

Note 10. Notes Payable

A line of credit is due to Key Bank. The note is dated October 1, 2007, for a total available amount of $200,000. Variable interest is allowable at 1.25% over prime rate, with interest due monthly and a rate of 4.5% as of September 30, 2012 and 2011. The line is collateralized by all real and personal property. No maturity date is stated on the promissory note; however the loan is due immediately upon the lender's demand. The balances outstanding on the line of credit were $193,500 and $193,963 as of September 30, 2012 and 2011.

The Corporation and KUVO assumed a promissory note due to the City & County of Denver through their interests in the Five Points Media Center Holdings, Inc. (FPMCH) and the transfer of the respective condominium units. The note retains the original terms, which are monthly principal and interest payments of $2,980, interest rate of 3%, maturing December, 2023. The note balance at September 30, 2012 and September 30, 2011 was $333,413 and $358,048, of which $229,055 and $245,979, respectively are recorded on the Corporation's books which represents their 68.7% ownership interest in the building. The City & County of Denver had not split the note as of the audit date such that should KUVO default, the Corporation could be contingently liable for the full note balance.

The future scheduled maturities of the notes payable are as follows for the years ending September 30:

2013	$ 219,185
2014	25,774
2015	25,037
2016	26,318
2017	27,664
Thereafter	98,577
	$ 422,555

Note 11. Net Assets - Unrestricted, Designated

As of September 30, 1999, the Corporation's Board of Directors designated funds from the Corporation's unrestricted net assets to be segregated for a capital reserve account available as a match for future grants. The amount was maintained in two short term certificates of deposit with a total balance of $274,133 and $271,863 at September 30, 2012 and 2011.

Note 12. Endowment Funds

The Corporation's endowments consist of two funds established to support the Corporation. One endowment fund is designated by the Board of Directors to function as an endowment and the second is a donor-restricted endowment. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Corporation's board of directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Board Designated Endowment Fund
The Corporation received a one-time lease payment of $3,500,000 during the year ended September 30, 2008. The Board of Directors designated these funds to be placed into an endowment fund to benefit the Corporation in future years. The assets are administered by an investment manager in pooled investment funds. The intent of the Board is that these funds be held in perpetuity and that distributions come from investment earnings only. These funds are shown as a separate line item of unrestricted net assets on the Statement of Financial Position as they are a board designated, rather than a donor restricted fund.

The investment policy is for long term growth with the goal of exceeding the Consumer Price Index by 5%. A market index will be selected by the Audit and Finance Committee of the Board as a benchmark and the risk tolerance will be determined by that index. The overall investment bias of the endowment will be towards equity-like investments. Up to 40% of the funds may be invested in long-term illiquid investments.

Distributions may be made to the Corporation monthly based on an annual percentage formula. The distribution will be the greater of 4.5% of the trailing 36 month average market value or, 4% of the funds current market value or, a separate determination of the Board of Directors. The distributions in the first three years of the endowment are limited such that no more than 3% of the fund is to be distributed in year one, 3.5% in year two and 4% in year three. In the years ended September 30, 2012 and 2011, distributions of $129,516 and $138,386 were respectively taken.

Permanent Endowment Fund
The Colorado Public Television Endowment Fund was created during the year ended September 30, 2006. The Corporation was participating in the Community First Foundation Endowment Challenge Grant Program, under which contributions made by the Corporation during the period from April 1, 2006, through March 31, 2008, were matched by the Community First Foundation at a 50% match rate, to a maximum matching grant of $82,000. The purpose of the fund is to support the Corporation's programming.

The fund is a pooled investment fund maintained by the Community First Foundation but remains an asset of the Corporation. No variance power has been granted by the Corporation to the Community First Foundation as described in the Financial Accounting Standards for non-profit revenue recognition at 958-605-25.

Endowment Net Asset Composition by Type of Fund

As of September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	0	671	184,859	185,530
Board Designated	3,076,293	0	0	3,076,293
Total Funds	**3,076,293**	**671**	**184,859**	**3,261,823**

As of September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	0	33,578	184,859	218,437
Board Designated	3,527,644	0	0	3,527,644
Total Funds	**3,527,644**	**33,578**	**184,859**	**3,746,081**

Endowment Net Asset Changes for Fiscal Year Ended

As of September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	3,260,654	5,613	184,859	3,451,126
Contributions	0	0	0	0
Investment return:				
Investment income	67,432	7,969	0	75,401
Net appreciation (realized and unrealized)	(100,322)	(10,886)	0	(111,208)
Total investment return	(32,890)	(2,917)	0	(35,807)
Appropriation of endowment assets for expenditure	(138,386)	0		(138,386)
Other Changes / Transfers				
Investment fees	(13,085)	(2,025)	0	(15,110)
Endowment net assets, end of year	3,076,293	671	184,859	3,261,823

As of September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	3,076,293	671	184,859	3,261,823
Contributions	21,175	0	0	21,175
Investment return:				
Investment income	66,557	5,420	0	71,977
Net appreciation (realized and unrealized)	527,334	29,534	0	556,868
Total investment return	593,891	34,954	0	628,845
Appropriation of endowment assets for expenditure	(150,691)	0	0	(150,691)
Other Changes / Transfers				
Investment fees	(13,024)	(2,047)	0	(15,071)
Endowment net assets, end of year	3,527,644	33,578	184,859	3,746,081

Note 13. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of September 30:

	2012	2011
Marion Gottesfeld Program Fund	$ 13,813	$ 13,812
Endowment building support	3,122	3,122
Programming and production	134,053	99,347
Gain on permanent endowment	33,578	671
Equipment, unamortized PTFP share	141,260	184,517
Totals	$ 325,826	$ 301,469

Equipment purchased with PTFP funds is amortized over the ten year PTFP reversionary interest. See Note 8.

The Corporation has a program production agreement with Rocky Mountain Investigative Reporting, LLC, for the production, broadcast, webcast and fiscal oversight of the series, “Colorado Public News”. The temporarily restricted grants and contributions associated with this series are included in the programming and production totals above. The detail for this production for the years ended September 30, 2012 and 2011 is as follows:

	2012	2011
Prior year temporarily restricted funds available	$ 33,856	$ 21,083
Restricted funds received	153,060	175,042
	186,916	196,125
Less satisfaction of restrictions	150,912	162,269
Temporarily restricted net assets available for production	$ 36,004	$ 33,856

Note 14. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2012	2011
PTFP grant/equipment grants	$ 55,685	$ 64,083
Grants and contributions for program production	239,438	206,692
	295,123	270,775
Endowment earnings release to cover net losses	0	4,942
Totals	$ 295,123	$ 275,717

Note 15. EBS Channel Lease

Lease revenues are amounts from a lease of three EBS channels for which the Corporation is the original licensee in the amounts of $551,074 and $535,072 respectively for the years ended September 30, 2012 and 2011.

Note 16. Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private nonprofit organization that funds television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization. The grants may also be used to sustain activities begun with Community Service Grants awarded in prior years.

According to the Communications Act, funds may be used at the discretion of recipients. The Corporation used these funds for purposes relating primarily to production and acquisition of programming.

The grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

The Corporation received and expended $564,270 and $589,473 in Community Service Grants during the years ended September 30, 2012 and 2011.

Note 17. Employee Benefit Plan

The Corporation offers a tax sheltered annuity, a 403(b) plan, through TIAA-CREF. Substantially all employees are eligible to participate after one year of employment. The amount of employer contribution is variable, based upon employee years of service and the amount of employee deferral. The employer contribution increases with years of service. The employer contribution for the years ended September 30, 2012 and 2011 was respectively $100,187 and $93,887.

The Corporation offers a supplemental tax sheltered annuity, a 403(b) plan, through TIAA-CREF in which all employees are eligible to participate after completion of thirty days of employment. The plan operates as a salary reduction plan only. There is no employer contribution.

Note 18. Commitments

The Corporation leased transmission sites and equipment under operating leases. There are three long term leases as described below and other short term leases with varying terms. A five year transmission site lease at a monthly rate at September 30, 2012, of $6,548 and terminates March 2013; there is an annual escalation clause. A broadcast signal transmission lease terminates December 2016 at $350 per month with an annual escalation clause. A five year transmission lease terminates February 2017 and is at a rate of $900 per month.

Future minimum rental payments are as follows:

Year Ending September 30,	Operating
2013	$ 78,473
2014	46,767
2015	24,386
2016	18,832
2017	7,358
Thereafter	0
	$ 175,816

Operating lease expenses for 2012 and 2011 were respectively $88,285 and $76,757.

Note 19. Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. Trade receivables consist primarily of television show underwriting by various businesses and organizations. Concentrations of credit with respect to trade receivables are limited due to the large number of sponsors and their dispersion across different industries. However, the majority of the underwriting sponsors are from within the television station's broadcasting area. Trade receivables from underwriting were $17,409 at September 30, 2012 and $32,893 at September 30, 2011.

The Corporation maintains its cash balances in several financial institutions and a national money market mutual fund. The financial institution balances are insured by the Federal Deposit Insurance Corporation. At September 30, 2012 and 2011, the Corporation's had no uninsured cash balances.

Note 20. Other Contingency

As part of the purchase of the real estate at 2900 Welton Street (Notes 8 and 10) a deed of trust was completed between the City and County of Denver and FPMCH in the amount of $500,000. The deed of trust provides for annual debt forgiveness of $50,000 for 10 years and is fully satisfied at the end of the 10 year period. The deed of trust is non recourse to the grantor, FPMCH. The balance at September 30, 2012 and 2011 was $250,000 and $300,000. The Corporation’s share of the deed of trust is equal to their 68.7% ownership interest in the building. Repayment of the unforgiven portion of the note would only occur if the building condominium units were to be sold prior to the end of the 10 year period. The deed of trust is not a legal note payable and has not been included in the liabilities of the Corporation’s financial statements.

Note 21. Subsequent Events

Management has considered subsequent events through January 23, 2013, the date on which the financial statements were available to be issued. The Corporation has shared ownership in real estate at 2900 Welton Street, Denver, Colorado, with Denver Educational Broadcasting (KUVO). A merger between KUVO, Rocky Mountain Public Broadcasting Network, Inc. and the I-News Network was announced in January 2013. The final merger agreements are to be completed in April 2013. The merger should not change the ownership interest in the building, but could have an effect upon the contingent liabilities with the outstanding agreements between KUVO and the Corporation (see Notes 7, 8, 9, 10 and 20).

COLORADO PUBLIC TELEVISION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2012

	Program Services				Supporting Services				
	Programming and Production	Broad-casting	Public Information and Promotion	Total Program Services	Manage-ment and General	Fund Raising and Membership	Underwriting and grant solicitation	Total Supporting Services	Total Expenses
Salaries, payroll taxes and employee benefits	$ 446,141	$ 337,181	$ 180,145	$ 963,467	$ 403,914	239,441	$ 108,004	$ 751,359	$ 1,714,826
Retirement plan	16,315	11,656	9,648	37,619	28,436	31,309	2,823	62,568	100,187
Professional services	77,679	26,604	0	104,283	88,652	95,444	8,500	192,596	296,879
Acquisition mailing	0	0	0	0	0	17,506	0	17,506	17,506
Advertising	0	0	5,884	5,884	0	0	11,750	11,750	17,634
Bad debts	0	0	0	0	0	0	15,295	15,295	15,295
Bank charges	0	0	0	0	8,028	34,222	664	42,914	42,914
Depreciation and amortization	667	160,680	0	161,347	80,186	0	0	80,186	241,533
Dues and subscriptions	18,792	300	0	19,092	14,303	0	19,440	33,743	52,835
Equipment expense	946	71,105	0	72,051	12,090	0	0	12,090	84,141
Insurance	2,293	2,653	0	4,946	54,649	0	0	54,649	59,595
Interest	0	0	0	0	15,916	0	0	15,916	15,916
Investment expense	0	0	0	0	15,071	0	0	15,071	15,071
Loss on disposition of assets	0	12,979	0	12,979	0	0	0	0	12,979
Occupancy and facility leases	0	107,737	0	107,737	56,373	0	0	56,373	164,110
Other	0	0	0	0	7,781	78	0	7,859	7,859
Postage and shipping	41	0	581	622	1,240	37,997		39,237	39,859
Premiums	0	0	0	0	0	274,638	0	274,638	274,638
Printing and graphics	0	0	1,105	1,105	1,498	36,532	0	38,030	39,135
Programming	406,253	0	0	406,253	0	7,925	0	7,925	414,178
Property taxes	0	0	0	0	5,409	0	0	5,409	5,409
Rental and maintenance of equipment	0	0	0	0	15,611	0	0	15,611	15,611
Special events	0	0	0	0	0	651,657	0	651,657	651,657
Supplies	6,064	0	416	6,480	17,426	3,234	50	20,710	27,190
Telemarketing	0	0	0	0	0	7,876	0	7,876	7,876
Telephone	0	3,755	1,132	4,887	20,351	0	0	20,351	25,238
Travel and training	1,286	4,485	519	6,290	11,612	6,179	118	17,909	24,199
Website and computer maintenance	5,145	36,727	40,122	81,994	0	8,693	0	8,693	90,687
Totals	$ 981,622	$ 775,862	$ 239,552	$ 1,997,036	$ 858,546	$ 1,452,731	$ 166,644	$ 2,477,921	$ 4,474,957

COLORADO PUBLIC TELEVISION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2011

	Program Services				Supporting Services				
	Programming and Production	Broad- casting	Public Information and Promotion	Total Program Services	Manage- ment and General	Fund Raising and Membership	Underwriting and grant solicitation	Total Supporting Services	Total Expenses
Salaries, payroll taxes and employee benefits	$ 415,024	$ 341,956	$ 180,394	$ 937,374	$ 396,151	$ 229,409	$ 173,314	$ 798,874	$ 1,736,248
Retirement plan	13,443	11,331	5,732	30,506	28,956	26,517	7,908	63,381	93,887
Professional services	54,526	13,055	600	68,181	89,916	83,262	20,745	193,923	262,104
Acquisition mailing	0	0	0	0	0	16,155	0	16,155	16,155
Advertising	0	0	28,223	28,223	112	0	0	112	28,335
Asset impairment	0	321,333	0	321,333	0	0	0	0	321,333
Bad debts	0	0	0	0	0	3,250	24,706	27,956	27,956
Bank charges	0	0	0	0	6,954	32,915	767	40,636	40,636
Depreciation and amortization	2,804	162,826	0	165,630	83,717	0	0	83,717	249,347
Dues and subscriptions	17,670	0	0	17,670	14,618	0	19,189	33,807	51,477
Equipment expense	1,484	0	0	1,484	0	0	0	0	1,484
Insurance	2,210	2,494	0	4,704	54,286	0	0	54,286	58,990
Interest	0	0	0	0	13,051	0	0	13,051	13,051
Investment expense	0	0	0	0	15,110	0	0	15,110	15,110
Occupancy and facility leases	0	106,503	0	106,503	65,171	0	0	65,171	171,674
Other	0	0	0	0	7,821	0	120	7,941	7,941
Postage and shipping	50	0	527	577	1,972	34,246	615	36,833	37,410
Premiums	0	0	0	0	0	276,588	0	276,588	276,588
Printing and graphics	0	300	444	744	1,274	44,047	0	45,321	46,065
Programming	384,549	0	0	384,549	0	22,363	0	22,363	406,912
Rental and maintenance of equipment	0	57,679	0	57,679	30,725	0	0	30,725	88,404
Special events	0	0	0	0	0	514,353	0	514,353	514,353
Supplies	2,777	0	698	3,475	12,161	1,720	1,056	14,937	18,412
Telemarketing	0	0	0	0	0	21,163	0	21,163	21,163
Telephone	0	3,461	410	3,871	18,466	0	568	19,034	22,905
Travel and training	847	3,777	895	5,519	4,401	5,940	1,639	11,980	17,499
Website and computer maintenance	8,199	39,172	46,112	93,483	0	6,555	2,750	9,305	102,788
Totals	$ 903,583	$ 1,063,887	$ 264,035	$ 2,231,505	$ 844,862	$ 1,318,483	$ 253,377	$ 2,416,722	$ 4,648,227