

**COLORADO PUBLIC  
TELEVISION, INC.**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

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

**COLORADO PUBLIC TELEVISION, INC.**  
Denver, Colorado

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Colorado Public Television, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

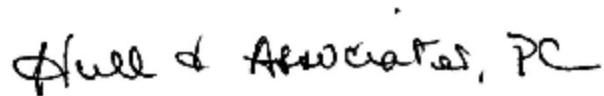
### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Public Television, Inc. as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of functional expenses beginning on page 21 are presented for purposes of additional analysis and are 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.

A handwritten signature in black ink that reads "Hull & Associates, PC". The signature is written in a cursive, flowing style.

**Hull & Associates, P.C.**  
**Certified Public Accountants**

Golden, Colorado  
January 22, 2015

**COLORADO PUBLIC TELEVISION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 196,360	\$ 14,466
Accounts receivable, net	151,654	148,663
Pledges receivable	50,625	17,100
Prepaid and other	<u>213,487</u>	<u>123,918</u>
Total current assets	<u>612,126</u>	<u>304,147</u>
Property and equipment, net	<u>2,725,006</u>	<u>2,730,530</u>
Other assets		
Other investments	123,282	89,336
Certificates of deposit	0	208,099
Endowment funds, Board designated	3,937,699	3,891,457
Endowment funds, permanent	<u>265,824</u>	<u>248,836</u>
	<u>4,326,805</u>	<u>4,437,728</u>
Total assets	<u>\$ 7,663,937</u>	<u>\$ 7,472,405</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 168,242	\$ 206,571
Accrued payroll and payroll taxes	65,265	58,673
Customer deposits	32,800	54,371
Deferred grant revenue	0	15,000
Other liabilities, current portion	85,000	45,000
Note payable, current portion	24,933	25,774
Line of credit	<u>0</u>	<u>200,000</u>
Total current liabilities	<u>376,240</u>	<u>605,389</u>
Long term liabilities		
Note payable, net of current portion	168,839	185,668
Other liabilities, net of current portion	<u>55,000</u>	<u>60,000</u>
Total long term liabilities	<u>223,839</u>	<u>245,668</u>
Total liabilities	<u>600,079</u>	<u>851,057</u>
Net assets		
Unrestricted		
Undesignated, available for operations	2,537,476	2,105,569
Designated	136,000	208,099
Board designated endowment	<u>3,937,699</u>	<u>3,891,457</u>
Total unrestricted	<u>6,611,175</u>	<u>6,205,125</u>
Temporarily restricted	267,824	231,364
Permanently restricted	<u>184,859</u>	<u>184,859</u>
Total net assets	<u>7,063,858</u>	<u>6,621,348</u>
Total liabilities and net assets	<u>\$ 7,663,937</u>	<u>\$ 7,472,405</u>

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

**COLORADO PUBLIC TELEVISION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues:		
Membership revenue	\$ 1,523,299	\$ 1,450,919
Special events	1,021,289	855,692
Lease revenue, excess capacity	584,622	567,594
Community service grants	541,585	503,360
Contributions and grants	373,025	444,998
Rental income	76,549	86,191
Production and other	49,795	61,212
In-kind contributions	34,030	42,368
Miscellaneous income	32,481	15,380
Interest income	74,718	73,039
Gain on sale of investments	8,917	6,108
Unrealized gain on investments	487,105	526,867
Total unrestricted revenues	<u>4,807,415</u>	<u>4,633,728</u>
Net assets released from restrictions:		
Satisfaction of program and other restrictions	49,638	251,288
Satisfaction of equipment acquisition restrictions	31,665	31,665
Total net assets released from restrictions	<u>81,303</u>	<u>282,953</u>
Total unrestricted revenues, and other support	<u>4,888,718</u>	<u>4,916,681</u>
Expenses and transfer		
Program services:		
Programming and production	968,301	1,008,878
Broadcasting	717,893	746,208
Public information and promotion	228,388	248,107
Total program services	<u>1,914,582</u>	<u>2,003,193</u>
Supporting services:		
Management and general	687,409	867,991
Fundraising and membership development	1,706,877	1,662,967
Underwriting and grant solicitation	173,800	160,344
Total supporting services	<u>2,568,086</u>	<u>2,691,302</u>
Total expenses	<u>4,482,668</u>	<u>4,694,495</u>
Increase in unrestricted net assets	<u>406,050</u>	<u>222,186</u>
Changes in temporarily restricted net assets		
Production	57,763	39,741
Other grants and contributions	60,000	148,750
Net assets released from restrictions	<u>(81,303)</u>	<u>(282,953)</u>
Increase (decrease) in temporarily restricted net assets	<u>36,460</u>	<u>(94,462)</u>
Increase in net assets	442,510	127,724
Net assets at beginning of year	<u>6,621,348</u>	<u>6,493,624</u>
Net assets at end of year	<u>\$ 7,063,858</u>	<u>\$ 6,621,348</u>

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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets:	\$ 442,510	\$ 127,724
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities:		
Depreciation and amortization	214,701	243,890
(Increase) decrease in bad debt provision	(491)	3,250
Gain on sale of investments	(8,917)	(6,250)
Loss on disposition of assets	721	142
Unrealized gain on investments	(487,105)	(526,867)
Change in operating assets and liabilities:		
Accounts receivable	(2,500)	144,212
Grants receivable	0	24,075
Pledges receivable	(33,525)	(12,616)
Prepaid expenses	(89,569)	(14,263)
Accounts payable and accrued liabilities	(38,329)	(151,237)
Accrued payroll and payroll taxes	6,592	(12,708)
Other liabilities	35,000	15,000
Customer deposits	(21,571)	1,818
Deferred grant revenue	(15,000)	15,000
Net cash provided (used) by operating activities	<u>2,517</u>	<u>(148,830)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(209,899)	(15,917)
Acquisition of investments	(74,714)	(73,036)
Sale of investments	715,606	277,834
Five Points Media Center Holding Company	(33,288)	(31,971)
Redemption of IREA account	(658)	(345)
Net cash provided by investing activities	<u>397,047</u>	<u>156,565</u>
Cash flows from financing activities:		
Payments on note payable	(17,670)	(17,613)
Line of credit, net borrowing	(200,000)	6,500
Net cash used by financing activities	<u>(217,670)</u>	<u>(11,113)</u>
Net increase (decrease) in cash	<u>181,894</u>	<u>(3,378)</u>
Cash and cash equivalents, beginning of year	<u>14,466</u>	<u>17,844</u>
Cash and cash equivalents, end of year	<u>\$ 196,360</u>	<u>\$ 14,466</u>
Supplemental disclosures:		
Interest paid during the year	<u>\$ 10,268</u>	<u>\$ 13,416</u>
Donated investment securities	<u>\$ 2,536</u>	<u>2,386</u>

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

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**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**

Basis of Accounting

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.

Basis of Presentation

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.

Advertising Costs

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

Allowance for Bad Debts

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

Cash and Cash Equivalents

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.



**COLORADO PUBLIC TELEVISION, INC.**  
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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.

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.

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, 2014 and 2013, 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 2013. Management estimates that there will be no liability in 2014 and therefore no liability was accrued. Management does not believe that the Organization holds any uncertain tax positions.

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

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**

	<u>2014</u>	<u>2013</u>
Unrestricted		
Petty cash	\$ 200	\$ 200
Checking account (overdraft)	77,656	(3,299)
Money market accounts	<u>118,504</u>	<u>3,825</u>
	<u>196,360</u>	<u>726</u>
Temporarily restricted		
Cash in checking account	<u>0</u>	<u>13,740</u>
Total cash and cash equivalents	<u>\$ 196,360</u>	<u>\$ 14,466</u>

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**Note 4. Accounts receivable**

Accounts receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Underwriting	\$ 23,798	\$ 18,820
Production & Distribution	4,240	5,626
Endowment distribution	41,838	60,659
Events proceeds	33,624	14,711
Other	3,509	6,119
Lease revenue (Note 15)	<u>48,956</u>	<u>47,530</u>
	155,965	153,465
Less allowance for bad debts	<u>4,311</u>	<u>4,802</u>
Net accounts receivable	<u>\$ 151,654</u>	<u>\$ 148,663</u>

**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, 2014 and 2013. The amounts are based upon an average historical pledge collection rate of 85% and 90% for the years ending September 30, 2014 and 2013. 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 \$50,625 and \$17,100 as of September 30, 2014 and 2013. 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 and Fair Value Disclosures**

The Corporation discloses information about fair value measurements in accordance with generally accepted accounting principles. The accounting principles define fair value, establish a framework for measurement and expand disclosures about fair value measurements. Fair value is defined as the price that the Corporation would receive upon selling an asset or settling a liability in an orderly transaction between market participants.

Accounting principles require disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs.

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or the Organization's assumptions about pricing by market participants.

Pooled investments are considered to be a Level 2 or a Level 3 input. An active market exists, but one that is less than daily in its transactional volume and there are no active market quotes available for the Level 2 assets. The shares in these pooled investments may be sold within 90 days of the measurement date and are recorded at their monthly share value based upon the underlying asset value. The Level 3 assets are held in a pooled fund for which the Corporation has no ability to transact shares; they are recorded at their monthly share value based upon the underlying asset value. There were no changes to the valuation techniques during either year presented. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Pooled investments were transferred from Level 1 to Level 2 and Level 3 assets at September 30, 2014, based on assessment of new information received from the Level 2 investment management company. The Company recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Assets at Fair Value at September 30, 2013 using:

Description		(Level 1)	(Level 2)	(Level 3)
Certificates of Deposit, restricted	\$ 208,099	\$ 208,099	\$ 0	\$ 0
Pooled investments	4,140,293	4,140,293	0	0
	<u>\$ 4,348,392</u>	<u>\$ 4,348,392</u>	<u>\$ 0</u>	<u>\$ 0</u>

Assets at Fair Value at September 30, 2014 using:

Description		(Level 1)	(Level 2)	(Level 3)
Certificates of Deposit, restricted	\$ 0	\$ 0	\$ 0	\$ 0
Pooled investments	4,203,523	0	3,937,699	265,824
	<u>\$ 4,203,523</u>	<u>\$ 0</u>	<u>\$ 3,937,699</u>	<u>\$ 265,824</u>

The certificates of deposit were designated for use by the Board of Directors of the Corporation (see Note 11). The interest earned on the certificates of deposit was \$939 for the year ended September 30, 2013. The certificate of deposit was not renewed for the year ended September 30, 2014. The other investments are held in board and donor designated endowment funds; the investment income is reported with other endowment information in Note 12.

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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See Note 12, Endowment Funds, for a description of investment earnings and gains. Investments are composed of the following for the years ended September 30, 2014 and 2013, respectively:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 0	\$ 0	\$ 208,099	\$ 208,099
The Common Fund - multi-strategy funds	2,795,225	3,937,699	3,230,152	3,891,457
Community First Foundation - endowment fund	184,859	265,824	184,859	248,836
	<u>\$ 2,980,084</u>	<u>\$ 4,203,523</u>	<u>\$ 3,623,110</u>	<u>\$ 4,348,392</u>

**Note 7. Other Investments**

Other investments are as follows:

	<u>2014</u>	<u>2013</u>
IREA capital account	\$ 28,829	\$ 28,171
Investment in FPMCH (Note 8)	<u>94,453</u>	<u>61,165</u>
	<u>\$ 123,282</u>	<u>\$ 89,336</u>

The IREA income as of September 30, 2014 and 2013 was respectively \$2,133 and \$720.

**Note 8. Property and Equipment**

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

	<u>2014</u>	<u>2013</u>
Land	\$ 425,253	\$ 425,253
Land improvements	17,307	17,307
Building	1,917,808	1,917,808
Building improvements	148,701	161,755
Production equipment	540,860	540,860
Transmission equipment	2,149,497	2,259,806
Office furniture and equipment	142,341	142,341
Vehicles	7,873	7,873
Software	79,985	79,985
Leasehold improvements	<u>40,111</u>	<u>40,111</u>
	5,469,736	5,593,099
Less accumulated depreciation and amortization	<u>2,744,730</u>	<u>2,862,569</u>
Net totals	<u>\$ 2,725,006</u>	<u>\$ 2,730,530</u>

**COLORADO PUBLIC TELEVISION, INC.**  
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Depreciation and amortization expense was \$214,701 and \$243,890 as of September 30, 2014 and 2013.

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, 2014 and 2013, PTFP had a lien on equipment with a net book value of \$145,621 and \$300,691.

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 2006 purchase of the condominium units at 2900 Welton Street (Note 8), 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, 2014 and September 30, 2013 was \$60,000 and \$65,000 respectively. See also Note 10.

A working capital advance was provided to the Corporation by a private individual to assist in the production of a documentary film. The total amount advanced was \$80,000 and \$40,000 in the years ended September 30, 2014 and 2013. The funds are to be repaid when other underwriters for the project are secured. Should the project not secure adequate underwriting, all of the media associated with the project will become the property of said individual.

**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, 2014 and 2013. 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 \$0 and \$200,000 as of September 30, 2014 and 2013.

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**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

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, a stepped interest rate of between 3% and 5% and maturing December, 2023. The note balance at September 30, 2014 and September 30, 2013, was \$282,055 and \$307,775, of which \$193,772 and \$211,442, 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. In 2013 KUVO's ownership was assumed by Rocky Mountain Public Broadcasting Network, Inc. (RMPBS) and all resulting assets and liabilities of KUVO are believed to have transferred to RMPBS although no legal notification had been received by the Corporation.

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

2015	\$ 24,933
2016	26,208
2017	27,549
2018	28,959
2019	30,440
Thereafter	<u>55,683</u>
	\$ 193,772

**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 short term certificates of deposit and had a balance of \$208,099 at September 30, 2013. In the year ended September 30, 2014, the cash was transferred to the operating account of the Corporation and partial use was authorized. The balance of the Board designated funds at September 30, 2014 was \$136,000 and there is no longer a requirement to hold these funds in a segregated account.

**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



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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. In the years ended September 30, 2014 and 2013, distributions of \$489,790 and \$194,445 were respectively taken. A larger distribution in the year ended September 30, 2014 was authorized for capital projects.

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.

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**Endowment Net Asset Composition by Type of Fund**

**As of September 30, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-Restricted	0	63,977	184,859	248,836
Board Designated	3,891,457	0	0	3,891,457
<b>Total Funds</b>	<b>3,891,457</b>	<b>63,977</b>	<b>184,859</b>	<b>4,140,293</b>

**As of September 30, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-Restricted	0	80,965	184,859	265,824
Board Designated	3,937,699	0	0	3,937,699
<b>Total Funds</b>	<b>3,937,699</b>	<b>80,965</b>	<b>184,859</b>	<b>4,203,523</b>

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**Endowment Net Asset Changes for Fiscal Year Ended**

**As of September 30, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	3,527,644	33,578	184,859	3,746,081
Contributions	<u>36,870</u>	<u>0</u>	<u>0</u>	<u>36,870</u>
Investment return:				
Investment income	67,655	4,442	0	72,097
Net appreciation (realized and unrealized)	<u>504,850</u>	<u>28,267</u>	<u>0</u>	<u>533,117</u>
Total investment return	572,505	32,709	0	605,214
Appropriation of endowment assets for expenditure	(231,315)	0	0	(231,315)
Other Changes / Transfers				
Investment fees	<u>(14,247)</u>	<u>(2,310)</u>	<u>0</u>	<u>(16,557)</u>
Endowment net assets, end of year	<u><u>3,891,457</u></u>	<u><u>63,977</u></u>	<u><u>184,859</u></u>	<u><u>4,140,293</u></u>

**As of September 30, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	3,891,457	63,977	184,859	4,140,293
Contributions	<u>22,503</u>	<u>0</u>	<u>0</u>	<u>22,503</u>
Investment return:				
Investment income	70,064	4,651	0	74,715
Net appreciation (realized and unrealized)	<u>481,068</u>	<u>14,954</u>	<u>0</u>	<u>496,022</u>
Total investment return	551,132	19,605	0	570,737
Appropriation of endowment assets for expenditure	(512,293)	0	0	(512,293)
Other Changes / Transfers				
Investment fees	<u>(15,100)</u>	<u>(2,617)</u>	<u>0</u>	<u>(17,717)</u>
Endowment net assets, end of year	<u><u>3,937,699</u></u>	<u><u>80,965</u></u>	<u><u>184,859</u></u>	<u><u>4,203,523</u></u>

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**Note 13. Temporarily Restricted Net Assets**

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

	<u>2014</u>	<u>2013</u>
Marion Gottesfeld Program Fund	\$ 8,663	\$ 13,815
Endowment building support	3,122	3,122
Programming and production	97,145	65,668
Gain on permanent endowment	80,965	63,977
Equipment, unamortized PTFP share	<u>77,929</u>	<u>84,782</u>
Totals	<u>\$ 267,824</u>	<u>\$ 231,364</u>

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, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Prior year temporarily restricted funds available	\$ 26,017	\$ 36,004
Restricted funds received	<u>4</u>	<u>133,045</u>
	26,021	169,049
Less satisfaction of restrictions	<u>25,892</u>	<u>143,032</u>
Temporarily restricted net assets available for production	<u>\$ 129</u>	<u>\$ 26,017</u>

**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.

	<u>2014</u>	<u>2013</u>
PTFP grant/equipment grants	\$ 31,665	\$ 31,665
Grants and contributions for program production	<u>49,638</u>	<u>251,288</u>
	<u>\$ 81,303</u>	<u>\$ 282,953</u>

**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 \$584,622 and \$567,594 respectively for the years ended September 30, 2014 and 2013.

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**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 \$541,585 and \$503,360 in Community Service Grants during the years ended September 30, 2014 and 2013.

**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, 2014 and 2013 was respectively \$108,609 and \$107,892.

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 transmission site leases as described below and other office equipment leases with varying terms. A five year transmission site lease at a monthly rate at September 30, 2014 of \$5,415 and terminates March 2018; 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.

**COLORADO PUBLIC TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

Future minimum operating rental payments are as follows:

Year Ending September 30,	<u>Operating</u>
2015	\$ 94,939
2016	93,498
2017	86,014
2018	41,020
Thereafter	<u>0</u>
	<u>\$ 315,471</u>

Operating lease expenses for 2014 and 2013 were respectively \$93,219 and \$75,459.

**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 endowment distributions, event ticket sales and, 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 \$23,798 at September 30, 2014 and \$18,820 at September 30, 2013.

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, 2014 and 2013, the Corporation 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, 2014 and 2013 was \$150,000 and \$200,000. 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 22, 2015, 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). KUVO and the Rocky Mountain Public Broadcasting Network, Inc. merged in 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 8, 9, 10, and 20).

**COLORADO PUBLIC TELEVISION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2014**

	Program Services				Supporting Services				
			Public	Total			Total	Total	
	Programming and Production	Broad- casting	Information and Promotion	Program Services	Manage- ment and General	Fund Raising and Membership	Underwriting and grant solicitation	Supporting Services	Expenses
Salaries, payroll taxes and employee benefits	\$ 407,201	\$ 312,906	\$ 143,749	\$ 863,856	\$ 280,234	248,581	\$ 140,844	\$ 669,659	\$ 1,533,515
Retirement plan	19,990	19,039	7,988	47,017	17,051	37,262	7,279	61,592	108,609
Professional services	48,952	46,084	1,864	96,900	90,470	121,897	1,300	213,667	310,567
Acquisition mailing	0	0	0	0	0	21,478	0	21,478	21,478
Advertising	0	0	9,970	9,970	175	0	0	175	10,145
Bad debts	0	0	0	0	0	0	3,173	3,173	3,173
Bank charges	0	0	0	0	4,761	39,835	1,502	46,098	46,098
Depreciation and amortization	300	141,306	0	141,606	73,095	0	0	73,095	214,701
Dues and subscriptions	23,406	300	0	23,706	15,711	0	19,602	35,313	59,019
Equipment expense	3,456	59,871	0	63,327	29,435	0	0	29,435	92,762
Insurance	2,320	2,534	0	4,854	40,643	0	0	40,643	45,497
Interest	0	0	0	0	10,268	0	0	10,268	10,268
Investment expense	0	0	0	0	17,717	0	0	17,717	17,717
Loss on disposition of assets	0	0	0	0	816	0	0	816	816
Occupancy and facility leases	0	127,603	0	127,603	53,857	0	0	53,857	181,460
Other	0	0	0	0	10,010	56	48	10,114	10,114
Postage and shipping	17	0	317	334	1,195	37,451	0	38,646	38,980
Premiums	0	0	0	0	0	318,089	0	318,089	318,089
Printing and graphics	0	0	0	0	1,871	37,301	0	39,172	39,172
Programming	453,330	0	0	453,330	0	4,900	0	4,900	458,230
Property taxes	0	0	0	0	6,636	0	0	6,636	6,636
Special events	0	0	0	0	0	826,820	0	826,820	826,820
Supplies	4,318	0	0	4,318	13,810	3,890	0	17,700	22,018
Telemarketing	0	0	0	0	0	2,350	0	2,350	2,350
Telephone	0	5,591	47	5,638	15,781	0	0	15,781	21,419
Travel and training	4,712	2,659	184	7,555	3,873	6,967	52	10,892	18,447
Website and computer maintenance	299	0	64,269	64,568	0	0	0	0	64,568
Totals	\$ 968,301	\$ 717,893	\$ 228,388	\$ 1,914,582	\$ 687,409	\$ 1,706,877	\$ 173,800	\$ 2,568,086	\$ 4,482,668

**COLORADO PUBLIC TELEVISION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2013**

	Program Services				Supporting Services				Total Expenses
	Programming and Production	Broad-casting	Public Information and Promotion	Total Program Services	Management and General	Fund Raising and Membership	Underwriting and grant solicitation	Total Supporting Services	
Salaries, payroll taxes and employee benefits	\$ 441,376	\$ 303,609	\$ 180,552	\$ 925,537	\$ 343,507	\$ 238,893	\$ 118,013	\$ 700,413	\$ 1,625,950
Retirement plan	18,956	16,273	8,473	43,702	23,585	34,333	6,272	64,190	107,892
Professional services	69,359	14,734	0	84,093	169,232	105,904	10,000	285,136	369,229
Acquisition mailing	0	0	0	0	0	17,870	0	17,870	17,870
Advertising	0	0	20,496	20,496	150	0	0	150	20,646
Bad debts	0	0	0	0	0	5,000	3,895	8,895	8,895
Bank charges	0	0	0	0	4,740	35,188	160	40,088	40,088
Depreciation and amortization	675	165,947	0	166,622	77,268	0	0	77,268	243,890
Dues and subscriptions	19,918	714	0	20,632	15,985	432	20,676	37,093	57,725
Equipment expense	3,232	71,990	0	75,222	10,035	0	0	10,035	85,257
Insurance	2,320	2,695	0	5,015	57,576	0	0	57,576	62,591
Interest	0	0	0	0	13,416	0	0	13,416	13,416
Investment expense	0	0	0	0	16,557	0	0	16,557	16,557
Occupancy and facility leases	0	115,989	0	115,989	53,517	0	0	53,517	169,506
Other	0	0	0	0	15,548	1,200	0	16,748	16,748
Postage and shipping	7	0	348	355	1,445	42,903	6	44,354	44,709
Premiums	0	0	0	0	0	349,787	0	349,787	349,787
Printing and graphics	0	0	0	0	0	27,782	0	27,782	27,782
Programming	442,369	0	0	442,369	0	2,939	0	2,939	445,308
Property taxes	0	0	0	0	7,195	0	0	7,195	7,195
Rental and maintenance of equipment	0	0	0	0	18,710	0	0	18,710	18,710
Special events	0	0	0	0	0	771,483	0	771,483	771,483
Supplies	4,994	0	0	4,994	18,509	4,775	42	23,326	28,320
Telemarketing	0	0	0	0	0	8,634	0	8,634	8,634
Telephone	0	5,204	404	5,608	17,666	0	0	17,666	23,274
Travel and training	1,205	14,533	928	16,666	3,350	9,337	1,280	13,967	30,633
Website and computer maintenance	4,467	34,520	36,906	75,893	0	6,507	0	6,507	82,400
Totals	<u>\$ 1,008,878</u>	<u>\$ 746,208</u>	<u>\$ 248,107</u>	<u>\$ 2,003,193</u>	<u>\$ 867,991</u>	<u>\$ 1,662,967</u>	<u>\$ 160,344</u>	<u>\$ 2,691,302</u>	<u>\$ 4,694,495</u>