



ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Financial Statements
and
Independent Auditors' Report
June 30, 2014**

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ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statement of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7
Supplementary Information	
Consolidating Statement of Activities.....	19
Consolidating Statement of Functional Expenses.....	20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rocky Mountain Public Broadcasting Network, Inc.
Denver, Colorado

We have audited the accompanying consolidated financial statements of Rocky Mountain Public Broadcasting Network, Inc. (a Colorado non-profit corporation), which are comprised of the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

To the Board of Directors
Rocky Mountain Public Broadcasting Network, Inc.
Page Two

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Public Broadcasting Network, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER

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

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November 18, 2014
Denver, Colorado

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Statement of Financial Position
June 30, 2014**

Assets

Assets	
Cash and cash equivalents	\$ 186,045
Accounts receivable	
Contributions, grants, and other, net of allowance for doubtful accounts of \$223,413	1,494,762
Program underwriting and fees, net of allowance for doubtful accounts of \$17,953	1,111,170
Program inventory	94,845
Prepaid and other expenses	448,807
Investments	10,911,696
Note receivable	60,000
Property and equipment, net	7,261,950
Operating license	<u>53,017</u>
Total assets	<u>\$ 21,622,292</u>

Liabilities and Net Assets

Liabilities	
Line-of-credit	\$ 200,000
Accounts payable	359,744
Accrued expenses	482,471
Deferred revenue	412,902
Obligations under capital leases	22,628
Note payable	<u>90,177</u>
Total liabilities	<u>1,567,922</u>
Commitments and contingencies	
Net assets	
Unrestricted	19,512,560
Temporarily restricted	313,473
Permanently restricted	<u>228,337</u>
Total net assets	<u>20,054,370</u>
Total liabilities and net assets	<u>\$ 21,622,292</u>

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Statement of Activities
For the Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and support				
Contributions				
Membership	\$ 8,523,873	\$ -	\$ -	\$ 8,523,873
Underwriting	1,766,929	-	-	1,766,929
Bequests	1,161,380	-	-	1,161,380
Other gifts	281,328	2,474	6,000	289,802
Grants				
Community service grant	1,586,162	-	-	1,586,162
Other	423,693	189,046	-	612,739
In-kind donations	633,203	-	-	633,203
Program service revenues	91,058	-	-	91,058
Service fees and rental	419,866	-	-	419,866
Special events, net of expenses of \$83,672 (in-kind revenue and expense of \$40,800)	29,559	-	-	29,559
Other	<u>17,262</u>	<u>-</u>	<u>-</u>	<u>17,262</u>
Total revenues, gains, and support	<u>14,934,313</u>	<u>191,520</u>	<u>6,000</u>	<u>15,131,833</u>
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>155,437</u>	<u>(155,437)</u>	<u>-</u>	<u>-</u>
Expenses				
Program services				
Programming and production	4,502,809	-	-	4,502,809
Broadcasting	3,336,992	-	-	3,336,992
Public information	<u>383,101</u>	<u>-</u>	<u>-</u>	<u>383,101</u>
Total program services	<u>8,222,902</u>	<u>-</u>	<u>-</u>	<u>8,222,902</u>
Supporting services				
Management and general	1,631,588	-	-	1,631,588
Fundraising and development	3,942,159	-	-	3,942,159
Underwriting	<u>721,312</u>	<u>-</u>	<u>-</u>	<u>721,312</u>
Total supporting services	<u>6,295,059</u>	<u>-</u>	<u>-</u>	<u>6,295,059</u>
Total expenses	<u>14,517,961</u>	<u>-</u>	<u>-</u>	<u>14,517,961</u>
Change in net assets from operations	571,789	36,083	6,000	613,872
Depreciation and amortization	(1,524,495)	-	-	(1,524,495)
Investment income, net of direct advisor fees of \$42,500	1,050,973	-	-	1,050,973
Loss on disposal of assets	<u>(6,795)</u>	<u>-</u>	<u>-</u>	<u>(6,795)</u>
Change in net assets	91,472	36,083	6,000	133,555
Net assets, beginning of year	<u>19,421,088</u>	<u>277,390</u>	<u>222,337</u>	<u>19,920,815</u>
Net assets, end of year	<u>\$ 19,512,560</u>	<u>\$ 313,473</u>	<u>\$ 228,337</u>	<u>\$ 20,054,370</u>

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2014**

	<u>Programming and Production</u>	<u>Broadcasting</u>	<u>Public Information</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Underwriting</u>	<u>Total</u>
Personnel and payroll taxes	\$ 1,907,583	\$ 1,096,972	\$ 189,074	\$ 944,107	\$ 1,105,023	\$ 558,935	\$ 5,801,694
Program acquisitions	1,971,378	30,448	-	-	-	-	2,001,826
Professional services	244,204	199,360	60,623	300,484	1,329,785	21,361	2,155,817
Contributed goods and services	4,128	310,542	36,010	21,020	92,753	78,751	543,204
Mailing and shipping	4,482	4,765	170	8,463	631,175	763	649,818
Printing and duplicating	36,371	5,881	16,909	26,627	16,336	425	102,549
Building, distribution, and software	787	1,242,913	-	11,418	173,297	641	1,429,056
Subscriptions, dues, and licenses	71,793	44,595	1,062	52,599	14,625	1,060	185,734
Premiums, advertising, and promotions	715	3,305	65,775	15,919	503,735	550	589,999
Supplies and videotapes	57,719	57,031	5,138	12,559	11,166	1,636	145,249
Travel, parking, and mileage	33,377	25,330	795	37,719	12,986	2,392	112,599
Insurance	20,667	-	-	59,874	989	-	81,530
Telephone and connectivity	5,878	106,813	901	13,752	689	1,245	129,278
Interest	-	5,993	-	30,328	4,586	-	40,907
Training and meetings	18,738	30,796	3,314	54,569	27,800	5,271	140,488
Repairs and maintenance	3,462	147,023	-	-	-	-	150,485
Temporary assistance	-	-	1,600	1,425	-	-	3,025
Special events	4,182	22,868	1,730	19,798	17,214	2,153	67,945
Recruiting	16,423	624	-	3,048	-	-	20,095
Bad debt	-	1,733	-	17,879	-	46,129	65,741
Scholarship	100,922	-	-	-	-	-	100,922
Total expenses before depreciation and amortization	<u>4,502,809</u>	<u>3,336,992</u>	<u>383,101</u>	<u>1,631,588</u>	<u>3,942,159</u>	<u>721,312</u>	<u>14,517,961</u>
Depreciation and amortization	<u>301,501</u>	<u>1,098,933</u>	<u>5,062</u>	<u>68,312</u>	<u>42,444</u>	<u>8,243</u>	<u>1,524,495</u>
Total expenses	<u>\$ 4,804,310</u>	<u>\$ 4,435,925</u>	<u>\$ 388,163</u>	<u>\$ 1,699,900</u>	<u>\$ 3,984,603</u>	<u>\$ 729,555</u>	<u>\$ 16,042,456</u>

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2014**

Cash flows from operating activities	
Change in net assets	\$ 133,555
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Change in allowance for doubtful accounts	232,741
Depreciation	1,524,495
Net loss on disposal of property and equipment	6,795
Non-cash contribution of in-kind property and equipment	(90,000)
Net realized and unrealized gains on investments	(962,805)
Impairment on investment in limited liability company	101,029
Changes in certain assets and liabilities	
Contributions, grants, and other receivables	(457,538)
Program and underwriting fees receivable	(263,383)
Bequest receivable	1,950,205
Pledges receivable	(1,155,446)
Program inventory	48,344
Prepaid and other expenses	(163,089)
Accounts payable	58,221
Accrued expenses	81,413
Deferred revenue	<u>76,359</u>
Net cash provided by operating activities	<u>1,120,896</u>
Cash flows from investing activities	
Payments for purchase of property and equipment	(256,046)
Payment received on note receivable	5,000
Net purchases and sales of investments	<u>(700,336)</u>
Net cash used in investing activities	<u>(951,382)</u>
Cash flow from financing activities	
Payments on capital leases	(10,925)
Payments on note payable	(10,566)
Net proceeds and payments on line-of-credit	(251,213)
Obligation under charitable gift annuities	<u>(5,679)</u>
Net cash used in financing activities	<u>(278,383)</u>
Net decrease in cash and cash equivalents	(108,869)
Cash and cash equivalents, beginning of year	<u>294,914</u>
Cash and cash equivalents, end of year	<u>\$ 186,045</u>

Supplemental disclosure of cash flow information:

Interest paid was \$40,907 for the year ended June 30, 2014.

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Rocky Mountain Public Broadcasting Network, Inc. (the "Network"), a non-profit corporation, was founded in 1956 to provide community support for KRMA-TV. In 1987, the Network obtained a regular FCC license to operate KRMA-TV as a public broadcasting station. In 1998, the Network began broadcast operations from Grand Junction, Colorado, as KRMJ-TV; in 2001, the Network began broadcasting from Pueblo, Colorado, as KTSC-TV; in 2005, the Network began broadcasting from Durango, Colorado, as KRMU-TV; and in 2007, the Network began broadcasting from Steamboat Springs, Colorado, as KRMZ-TV. On January 1, 2013, the Network merged with I-News in order to increase the news coverage provided to Coloradans.

On July 1, 2013, the Network merged with KUVO/Denver Educational Broadcasting ("KUVO/DEB") and began public radio broadcasting. The Network enriches the lives of Coloradans through engaging and essential programs, services, and community partnerships that inform, enlighten, and entertain. With the addition of the radio station, the Network provides the community with distinctive music and informational reporting that reflects the values and cultural diversity of the community. The primary reasons for the merger were financial stability, increased opportunity to serve the community, and increased capacity for news production and distribution. The transaction resulted in \$1,485,173 of total assets, \$743,302 of total liabilities, and \$741,871 of total net assets being merged into the Network's balances effective July 1, 2013. Net assets of KUVO/DEB consisted of unrestricted and temporarily restricted net assets of \$645,199 and \$96,672, respectively. There were no significant changes to the accounting policies as a result of the merger.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Rocky Mountain Public Broadcasting Network, Inc.; its wholly owned subsidiary RMPB Ventures, Inc., a separate for-profit organization established in June 1997; KUVO, LLC, a separate non-profit public radio organization; and I-News. There was no significant operating activity in RMPB Ventures, Inc. during the year ended June 30, 2014. All material interorganization transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements are presented pursuant to *Public Telecommunications Audit Guide and Requirements*, published in May 1989 by the Corporation for Public Broadcasting, and significant accounting policies conform to the *Supplemental Guide* published in 2005 by the Corporation for Public Broadcasting.

The Network 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.

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Network's operations.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Network as required by the donor, but the Network is permitted to use or expend part or all of any income derived from those assets in accordance with the donor's restrictions.

Cash and Cash Equivalents

The Network considers all highly liquid investments with a maturity of three months or less, and that are not held by investment managers as part of an investment portfolio, to be cash equivalents. The Network continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

At June 30, 2014, \$50,806 of amounts included in cash are held in escrow to be used for building maintenance and shared antenna use.

Concentrations of Credit Risk

Financial instruments that potentially subject the Network to concentrations of credit risk consist principally of cash in excess of FDIC limits, temporary cash investments, investment securities, programming, underwriting, fees receivable, and pledges receivable. The Network places its cash accounts with creditworthy, high-quality financial institutions. Investments are made by investment managers contracted by the Network. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Network.

Credit risk with respect to receivables is limited due to the number and creditworthiness of the corporations, foundations, and individuals who comprise the vendor/contributor base.

Investments

The Network is required to report investments in equity and debt securities with readily determinable fair values at their fair values with unrealized gains and losses included in the consolidated statement of activities.

Accounts Receivable

Accounts receivable represent amounts due resulting from the performance of services provided to other organizations and individuals. The allowance for doubtful accounts is based on past experience and on analysis of the collectibility of current accounts receivable. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Contributions and Contributions Receivable

The Network 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), the amount is then reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Unconditional contributions are recognized as revenues in the period the pledge is received. Contributions receivable are recorded at fair value if expected to be collected in one year and at net realizable value if expected to be collected in more than one year. All amounts are expected to be collected in one year.

The Network uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The Network recorded an allowance of \$223,413 at June 30, 2014, as reflected in the consolidated statement of financial position.

Program Underwriting

Program underwriting is recorded from signed agreements. Program underwriting related to purchased programs is recognized as unrestricted net assets. Programming underwriting and fees receivable are recorded for the full amount of the signed underwriting agreement. The allowance at June 30, 2014 was \$17,953.

Program Inventory

The Network maintains its purchased inventory of programming on the specific identification basis. Programming rights for specials are expensed after the first broadcast. Purchased programming for program series for which costs can be specifically identified are expensed based on the percent of the entire first run of that series that has been broadcast in the current year. Inventories are carried at the lower of cost or market value on the first-in, first-out basis of accounting.

Purchased programming agreements that provide for one year of unlimited airing of the package are expensed when the first program of the package is aired. The Network has determined that the individual program's cost in the package cannot be reasonably estimated and, therefore, is expensed rather than amortized.

Property and Equipment

The Network capitalizes all expenditures for property and equipment in excess of \$5,000 and with a useful life exceeding one year. Property and equipment, if purchased, are recorded at cost. Donated fixed assets are also capitalized at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, ranging from 3 to 30 years.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Construction in Progress

The Network has capitalized costs related to transmitters, broadcasting, and studio equipment. Once the projects are completed, they are placed into service and depreciated.

Long-Lived Assets

The Network reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Network looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. There was no impairment at June 30, 2014.

Deferred Revenue

Deferred revenue consists of funds received from grants for programs in which expenses will be incurred in a future period. The revenue will be recognized in applicable future periods when the services are provided and the related expenses are incurred.

Advertising

The Network uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the year ended June 30, 2014, advertising expense was \$183,355. Included in this amount is in-kind advertising of \$103,603.

In-Kind and Donated Services

The Network receives various in-kind gifts of goods and services, which are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. In-kind goods and services were \$543,203 for the year ended June 30, 2014, which consisted of the following:

Professional services	\$	177,949
Advertising		103,603
Occupancy		97,180
Meetings and member engagement		79,254
Premiums		59,310
Program support		15,407
Memberships		<u>10,500</u>
		543,203
Capitalized property and equipment		90,000
Events		<u>40,800</u>
	\$	<u>674,003</u>

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

In-Kind and Donated Services (continued)

Many individuals volunteer their time and perform a variety of tasks that assist the Network in its programs and general operations. The Network received approximately 19,000 volunteer hours during 2014. These values have not been included in the consolidated financial statements as they do not meet the requirements to be recorded under accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Network files a consolidated return that includes the activities of I-News and KUVO, LLC and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). However, both I-News and KUVO/DEB had separate exemptions from federal income taxes under Section 501(c)(3) of the IRC prior to the merger with the Network. Currently, these entities do not have activity, but filings are being done to maintain their separate non-profit status. In addition, the income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income as defined in the IRC and regulations thereunder. Total unrelated business income was not material for the year ended June 30, 2014. The Network applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amount has been recognized as of June 30, 2014. If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as miscellaneous administrative expense. No interest or penalties have been assessed as of June 30, 2014. Tax years that remain subject to examination include 2011 through 2014.

RMPB Ventures, Inc. is a for-profit corporation and is subject to federal and state income taxes at the applicable corporate rates. As there were no significant operating activities in RMPB Ventures, Inc., income taxes were insignificant for the year ended June 30, 2014.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Subsequent Events

The Network has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available for issuance, noting no subsequent events requiring disclosure.

Note 2 - Investments

Investments are comprised of the following at June 30, 2014:

Investments, at fair value	
Money markets	\$ 477,332
Fixed income mutual funds	3,031,609
Equity mutual funds	<u>7,201,277</u>
Total investments, at fair value	10,710,218
Other - valued at cost	
Certificates of deposit (time deposits)	<u>201,478</u>
Investments per consolidated statement of financial position	<u>\$ 10,911,696</u>

Investment income consists of the following at June 30, 2014:

Dividends and interest, net of fees	\$ 189,197
Net realized gains	380,741
Net unrealized gains	<u>582,064</u>
Total investment return	<u>\$ 1,152,002</u>

The Network has an 80% interest in Public Interest Communications, a limited liability company, whose purpose is to obtain zoning and construct a broadcast tower on Mt. Morrison for the use of its members. After several years of inactivity, management decided to no longer pursue future operations of this site. Accordingly, during 2014, management performed an impairment analysis. Management estimated the current fair market value to be \$0 and recorded an impairment of \$101,029 as of June 30, 2014. The impairment is recorded within investment income in the consolidated statement of activities.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 3 - Fair Value Measurement

The Network has adopted guidance surrounding fair value measurements that establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date;
- Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Financial assets carried at fair value measured on a recurring basis as of June 30, 2014 are classified in the table below in one of the three categories described above:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	\$ 477,332	\$ -	\$ -	\$ 477,332
Fixed income mutual funds	3,031,609	-	-	3,031,609
Equity mutual funds	<u>7,201,277</u>	<u>-</u>	<u>-</u>	<u>7,201,277</u>
Total fair value	<u>\$ 10,710,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,710,218</u>

The following is a description of the valuation methodologies used for assets measured at fair value:

Money markets and mutual funds: Valued at the closing price reported on the active market on which the funds and individual securities are traded.

There were no changes to the valuation techniques used during the period.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2014:

Land	\$	697,904
Buildings and improvements		10,525,048
Furniture, fixtures, and equipment		12,836,348
Transmitter facilities and equipment		12,675,646
Construction in process		40,661
Less accumulated depreciation		<u>(29,513,657)</u>
	\$	<u>7,261,950</u>

Equipment under capital lease and included in transmitter facilities and equipment amounted to \$48,016 for 2014, with accumulated amortization of \$20,077 as of June 30, 2014.

Note 5 - Note Receivable

In February 2006, the Network and KBDI, a public television broadcaster, jointly purchased an office condominium. In August 2006, the Network sold a portion of its interest in the condominium to KBDI for \$100,000.

The Network provided financing to KBDI to purchase the condominium office space. The note is due in installment payments of \$5,000 per year through December 31, 2015. The remaining \$50,000 is due as a lump-sum payment on December 31, 2016. The amounts reflected in the statement of financial position do not reflect the present value of an imputed interest rate due to the immateriality of the discount.

Amounts Due During the Year Ending June 30,

2015	\$	5,000
2016		5,000
2017		<u>50,000</u>
	\$	<u>60,000</u>

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 6 - Capital Leases

The following represents obligations under capital leases for furniture and equipment as of June 30, 2014:

Due in quarterly installments of principal and interest of \$864 through May 2015, secured by equipment	\$	3,456
Due in monthly installments of principal and interest of \$1,028 through June 2016, secured by equipment		<u>24,663</u>
		28,119
Less interest		<u>(5,491)</u>
Present value of future minimum lease payments	\$	<u>22,628</u>

The future minimum capital lease obligations (excluding maintenance) are as follows:

Year Ending June 30,

2015	\$	11,714
2016		<u>10,914</u>
Total	\$	<u>22,628</u>

Note 7 - Note Payable

The Network has an obligation under a note payable for property as of June 30, 2014 for a mortgage payable to Five Points Media Center. The note payable is due in monthly installments of principal and interest of \$1,004 through December 2023 with an interest rate of 4% and secured by a first deed of trust on an office condominium. Amounts payable to Five Points Media Center at June 30, 2014 are \$90,177.

Future annual maturities of the note payable obligation outstanding is as follows:

Year Ending June 30,

2015	\$	7,061
2016		8,081
2017		8,494
2018		8,929
2019		9,385
Thereafter		<u>48,227</u>
	\$	<u>90,177</u>

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 8 - Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 are available for the following purposes:

Local production	\$	151,546
News		73,271
Endowment earnings		2,474
Capital campaign		16,182
Programming		<u>70,000</u>
	\$	<u>313,473</u>

Permanently Restricted Net Assets

The permanently restricted net assets represent donations that have been restricted by the donors to be used for various endowments. Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets is available for general operating expenses.

Note 9 - Employee Benefit Plan

The Network has a tax-sheltered annuity plan (the "Plan") under IRC Section 403(b) covering substantially all full-time employees. Under the Plan, the Network contributes an amount equal to 3% of the employee's gross wages. In addition, each participating employee has the option to contribute additional amounts on a pre-tax basis up to the maximum allowable by the IRS. Contributions to the Plan vest immediately. The Network contributed \$128,418 for the year ended June 30, 2014.

Note 10 - Commitments and Contingencies

The Network has received various federal grants in prior years for the acquisition and construction of certain transmitter facilities and equipment. The grants were made contingent upon the continued use of the transmitter facilities and equipment for their stated purpose for a period of 10 years. If the facility and equipment are sold or not used for their stated purpose, the Network must repay a portion of the grant awarded. The contingencies are scheduled to expire at varying times through 2018. It is the intent of management to utilize the facilities and equipment for its public telecommunications services at least through the date these contingencies expire.

Note 11 - Line-of-Credit

During the year ended June 30, 2014, the Network renewed a \$500,000 line-of-credit with a bank, which bears interest at 3.75% and matures April 12, 2015. The outstanding balance at June 30, 2014 was \$200,000. The line-of-credit is partially collateralized by deposit accounts of the Network.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 12 - Operating Leases

The Network leases equipment under non-cancelable operating leases through April 2019. Rent expense for the year ended June 30, 2014 was \$417,196.

Future minimum lease payments under these leases are as follows:

Year Ending June 30,

2015	\$	295,703
2016		239,270
2017		245,131
2018		251,094
2019		<u>210,006</u>
	\$	<u>1,241,204</u>

Note 13 - Rental Fee Income

The Network leases transmission towers and commercial space to tenants under non-cancelable operating leases with terms of one to five years. Rental fee income for the year ended June 30, 2014 was approximately \$165,000.

Future minimum rental revenue under these leases is approximately as follows:

Year Ending June 30,

2015	\$	111,000
2016		18,500
2017		7,500
2018		7,800
2019		<u>3,300</u>
	\$	<u>148,100</u>

SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidating Statement of Activities
For the Year Ended June 30, 2014**

	<u>Rocky Mountain PBS</u>	<u>KUVO, LLC</u>	<u>Consolidated</u>
Revenues, gains, and support			
Contributions			
Membership	\$ 7,618,158	\$ 905,715	\$ 8,523,873
Underwriting	1,613,944	152,985	1,766,929
Bequests	1,161,380	-	1,161,380
Other gifts	251,917	37,885	289,802
Grants			
Community service grant	1,462,510	123,652	1,586,162
Other	601,739	11,000	612,739
In-kind donations	497,215	135,988	633,203
Program service revenues	91,058	-	91,058
Service fees and rental	362,530	57,336	419,866
Special events, net of expenses of \$8,823 and \$74,849 (in-kind revenue and expense of \$40,800), respectively	6,109	23,450	29,559
Other	<u>17,262</u>	<u>-</u>	<u>17,262</u>
Total revenues, gains, and support	<u>13,683,822</u>	<u>1,448,011</u>	<u>15,131,833</u>
Expenses			
Program services			
Programming and production	3,982,663	520,146	4,502,809
Broadcasting	3,042,989	294,003	3,336,992
Public information	<u>366,920</u>	<u>16,181</u>	<u>383,101</u>
Total program services	<u>7,392,572</u>	<u>830,330</u>	<u>8,222,902</u>
Supporting services			
Management and general	1,525,316	106,272	1,631,588
Fundraising and development	3,499,782	442,377	3,942,159
Underwriting	<u>664,474</u>	<u>56,838</u>	<u>721,312</u>
Total supporting services	<u>5,689,572</u>	<u>605,487</u>	<u>6,295,059</u>
Total expenses	<u>13,082,144</u>	<u>1,435,817</u>	<u>14,517,961</u>
Change in net assets from operations	601,678	12,194	613,872
Depreciation and amortization	(1,430,442)	(94,053)	(1,524,495)
Investment income, net of direct advisor fees of \$42,500 and \$0, respectively	1,050,917	56	1,050,973
Gain (loss) on disposal of assets	<u>1,980</u>	<u>(8,775)</u>	<u>(6,795)</u>
Change in net assets	224,133	(90,578)	133,555
Net assets, beginning of year	<u>19,178,944</u>	<u>741,871</u>	<u>19,920,815</u>
Net assets, end of year	<u>\$ 19,403,077</u>	<u>\$ 651,293</u>	<u>\$ 20,054,370</u>

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidating Statement of Functional Expenses
For the Year Ended June 30, 2014**

	Rocky Mountain PBS							KUVU, LLC							Consolidated Total
	Programming and Production	Broadcasting	Public Information	Management and General	Fundraising and Development	Underwriting	Total	Programming and Production	Broadcasting	Public Information	Management and General	Fundraising and Development	Underwriting	Total	
Personnel and payroll taxes	\$ 1,590,535	\$ 1,048,107	\$ 189,074	\$ 942,159	\$ 869,775	\$ 534,651	\$ 5,174,301	\$ 317,048	\$ 48,865	\$ -	\$ 1,948	\$ 235,248	\$ 24,284	\$ 627,393	\$ 5,801,694
Program acquisitions	1,893,498	14,400	-	-	-	-	1,907,898	77,880	16,048	-	-	-	-	93,928	2,001,826
Professional services	233,369	134,177	60,623	263,809	1,304,116	21,361	2,017,455	10,835	65,183	-	36,675	25,669	-	138,362	2,155,817
Contributed goods and services	3,888	310,542	22,500	13,320	1,230	55,736	407,216	240	-	13,510	7,700	91,523	23,015	135,988	543,204
Mailing and shipping	4,482	3,978	170	3,368	606,537	763	619,298	-	787	-	5,095	24,638	-	30,520	649,818
Printing and duplicating	36,371	5,881	16,909	26,373	4,846	425	90,805	-	-	-	254	11,490	-	11,744	102,549
Building, distribution, and software	787	1,148,790	-	2,235	171,875	641	1,324,328	-	94,123	-	9,183	1,422	-	104,728	1,429,056
Subscriptions, dues, and licenses	62,245	36,371	1,062	43,058	1,516	1,060	145,312	9,548	8,224	-	9,541	13,109	-	40,422	185,734
Premiums, advertising, and promotions	715	3,305	64,192	15,169	481,599	530	565,510	-	-	1,583	750	22,136	20	24,489	589,999
Supplies and videotapes	56,756	44,293	4,144	9,888	6,706	1,636	123,423	963	12,738	994	2,671	4,460	-	21,826	145,249
Travel, parking, and mileage	32,785	25,330	795	35,968	12,001	2,392	109,271	592	-	-	1,751	985	-	3,328	112,599
Insurance	19,347	-	-	57,677	989	-	78,013	1,320	-	-	2,197	-	-	3,517	81,530
Telephone and connectivity	5,878	82,432	901	13,752	689	1,245	104,897	-	24,381	-	-	-	-	24,381	129,278
Interest	-	463	-	20,337	4,376	-	25,176	-	5,530	-	9,991	210	-	15,731	40,907
Training and meetings	17,940	24,733	3,220	36,110	19,504	5,271	106,778	798	6,063	94	18,459	8,296	-	33,710	140,488
Repairs and maintenance	3,462	134,962	-	-	-	-	138,424	-	12,061	-	-	-	-	12,061	150,485
Temporary assistance	-	-	1,600	1,425	-	-	3,025	-	-	-	-	-	-	-	3,025
Special events	4,182	22,868	1,730	19,741	14,023	2,153	64,697	-	-	-	57	3,191	-	3,248	67,945
Recruiting	16,423	624	-	3,048	-	-	20,095	-	-	-	-	-	-	-	20,095
Bad debt	-	1,733	-	17,879	-	36,610	56,222	-	-	-	-	-	9,519	9,519	65,741
Scholarship	-	-	-	-	-	-	-	100,922	-	-	-	-	-	100,922	100,922
Total expenses before depreciation and amortization	3,982,663	3,042,989	366,920	1,525,316	3,499,782	664,474	13,082,144	520,146	294,003	16,181	106,272	442,377	56,838	1,435,817	14,517,961
Depreciation and amortization	225,119	1,095,412	5,062	55,005	42,100	7,744	1,430,442	76,382	3,521	-	13,307	344	499	94,053	1,524,495
Total expenses	\$ 4,207,782	\$ 4,138,401	\$ 371,982	\$ 1,580,321	\$ 3,541,882	\$ 672,218	\$ 14,512,586	\$ 596,528	\$ 297,524	\$ 16,181	\$ 119,579	\$ 442,721	\$ 57,337	\$ 1,529,870	\$ 16,042,456