



ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Financial Statements
and
Independent Auditors' Report
June 30, 2013 and 2012**

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

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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 statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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.
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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, 2013 and 2012, 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.

EKS&H LLLP
EKS&H LLLP

November 19, 2013
Denver, Colorado

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Consolidated Statements of Financial Position

	June 30,	
	2013	2012
Assets		
Assets		
Cash and cash equivalents	\$ 156,186	\$ 469,346
Accounts receivable		
Contributions, grants, and other	105,191	6,950
Program underwriting and fees, net of allowance for doubtful accounts of \$8,625 (2013) and \$2,750 (2012)	795,001	692,542
Bequest receivable	1,950,205	-
Program inventory	143,189	125,531
Prepaid and other expenses	262,196	246,832
Investments	9,248,555	10,155,056
Investment in limited liability company	101,029	101,029
Property and equipment, net	7,304,402	7,066,138
Other receivable	478,244	1,255,000
	<u>\$ 20,544,198</u>	<u>\$ 20,118,424</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Line-of-credit	\$ 451,213	\$ -
Accounts payable	213,377	739,468
Accrued expenses	358,442	450,370
Deferred revenue	336,543	109,536
Obligation under charitable gift annuities	5,679	13,743
Total liabilities	<u>1,365,254</u>	<u>1,313,117</u>
Commitments and contingencies		
Net assets		
Unrestricted		
Undesignated	4,558,217	3,270,924
Board-designated	6,913,270	8,035,908
Investment in property and equipment	7,304,402	7,066,138
Total unrestricted	<u>18,775,889</u>	<u>18,372,970</u>
Temporarily restricted	180,718	210,000
Permanently restricted	222,337	222,337
Total net assets	<u>19,178,944</u>	<u>18,805,307</u>
Total liabilities and net assets	<u>\$ 20,544,198</u>	<u>\$ 20,118,424</u>

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Consolidated Statements of Activities

	For the Years Ended							
	June 30, 2013				June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and support								
Contributions								
Membership	\$ 6,148,289	\$ -	\$ -	\$ 6,148,289	\$ 5,706,593	\$ -	\$ -	\$ 5,706,593
Underwriting	1,074,193	-	-	1,074,193	1,048,431	-	-	1,048,431
Bequests	2,177,691	-	-	2,177,691	218,039	-	-	218,039
Other gifts	499,791	-	-	499,791	464,295	-	-	464,295
Grants								
Community service grant	1,329,422	-	-	1,329,422	1,226,795	-	-	1,226,795
Other	331,248	-	-	331,248	673,921	210,000	-	883,921
In-kind donations	346,446	-	-	346,446	1,592,704	-	-	1,592,704
Program service revenues	27,454	-	-	27,454	41,988	-	-	41,988
Service fees and rental	354,177	-	-	354,177	278,216	-	-	278,216
Other	132,849	-	-	132,849	220,691	-	-	220,691
Total revenues, gains, and support	<u>12,421,560</u>	<u>-</u>	<u>-</u>	<u>12,421,560</u>	<u>11,471,673</u>	<u>210,000</u>	<u>-</u>	<u>11,681,673</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	70,000	(70,000)	-	-	70,000	(70,000)	-	-
Expenses								
Program services								
Programming and production	3,618,929	-	-	3,618,929	2,947,306	-	-	2,947,306
Broadcasting	2,998,511	-	-	2,998,511	2,884,288	-	-	2,884,288
Public information	426,812	-	-	426,812	370,123	-	-	370,123
Total program services	<u>7,044,252</u>	<u>-</u>	<u>-</u>	<u>7,044,252</u>	<u>6,201,717</u>	<u>-</u>	<u>-</u>	<u>6,201,717</u>
Supporting services								
Management and general	1,188,594	-	-	1,188,594	1,143,522	-	-	1,143,522
Fundraising and development	3,126,555	-	-	3,126,555	3,102,456	-	-	3,102,456
Underwriting	538,754	-	-	538,754	548,156	-	-	548,156
Total supporting services	<u>4,853,903</u>	<u>-</u>	<u>-</u>	<u>4,853,903</u>	<u>4,794,134</u>	<u>-</u>	<u>-</u>	<u>4,794,134</u>
Total expenses	<u>11,898,155</u>	<u>-</u>	<u>-</u>	<u>11,898,155</u>	<u>10,995,851</u>	<u>-</u>	<u>-</u>	<u>10,995,851</u>
Change in net assets from operations	593,405	(70,000)	-	523,405	545,822	140,000	-	685,822
Depreciation and amortization	1,355,807	-	-	1,355,807	1,415,733	-	-	1,415,733
Investment (income) loss, net of direct advisor fees of \$42,595 (2013) and \$38,634 (2012)	(872,450)	-	-	(872,450)	375,254	-	-	375,254
Gain on disposal of assets	(13,414)	-	-	(13,414)	-	-	-	-
Change in net assets before transfer and reclassification	123,462	(70,000)	-	53,462	(1,245,165)	140,000	-	(1,105,165)
Transfer of fiscal sponsorship to merger for I-News	279,457	40,718	-	320,175	-	-	-	-
Reclassification of net assets	-	-	-	-	(50,000)	-	50,000	-
Change in net assets	402,919	(29,282)	-	373,637	(1,295,165)	140,000	50,000	(1,105,165)
Net assets, beginning of year	<u>18,372,970</u>	<u>210,000</u>	<u>222,337</u>	<u>18,805,307</u>	<u>19,668,135</u>	<u>70,000</u>	<u>172,337</u>	<u>19,910,472</u>
Net assets, end of year	<u>\$ 18,775,889</u>	<u>\$ 180,718</u>	<u>\$ 222,337</u>	<u>\$ 19,178,944</u>	<u>\$ 18,372,970</u>	<u>\$ 210,000</u>	<u>\$ 222,337</u>	<u>\$ 18,805,307</u>

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2013**

	<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	\$ 1,251,212	\$ 1,120,366	\$ 223,145	\$ 706,727	\$ 694,385	\$ 442,969	\$ 4,438,804
Program acquisitions	1,794,036	2,520	-	-	-	-	1,796,556
Professional services	377,566	160,401	60,035	181,023	1,170,484	21,363	1,970,872
Contributed goods and services	6,750	209,309	10,000	42,046	14,525	63,825	346,455
Mailing and shipping	5,746	6,220	621	2,346	529,297	1,075	545,305
Printing and duplicating	30,433	19,334	29,378	6,925	8,124	426	94,620
Building, distribution, and software	13,569	1,080,635	-	2,410	122,328	-	1,218,942
Subscriptions, dues, and licenses	52,546	35,361	1,624	43,960	1,534	260	135,285
Premiums, advertising, and promotions	4,562	2,669	73,522	11,965	391,302	(7,684)	476,336
Supplies and videotapes	33,207	85,663	5,825	40,096	122,416	846	288,053
Travel, parking, and mileage	18,650	26,322	5,552	17,986	9,274	6,921	84,705
Insurance	14,794	-	-	47,814	-	-	62,608
Telephone and connectivity	1,362	91,331	487	8,749	1,279	1,046	104,254
Interest	-	2,891	-	22,215	-	-	25,106
Training and meetings	6,459	21,229	2,062	23,489	28,241	7,590	89,070
Repairs and maintenance	3,991	118,094	-	-	-	-	122,085
Temporary assistance	-	590	-	144	-	-	734
Meetings and promotional events	4,010	15,276	14,561	23,947	33,366	117	91,277
Recruiting	36	-	-	877	-	-	913
Bad debt	-	300	-	5,875	-	-	6,175
	<u>-</u>	<u>300</u>	<u>-</u>	<u>5,875</u>	<u>-</u>	<u>-</u>	<u>6,175</u>
Total expenses before depreciation and amortization	3,618,929	2,998,511	426,812	1,188,594	3,126,555	538,754	11,898,155
Depreciation and amortization	<u>14,259</u>	<u>1,334,124</u>	<u>-</u>	<u>-</u>	<u>7,424</u>	<u>-</u>	<u>1,355,807</u>
Total expenses	<u>\$ 3,633,188</u>	<u>\$ 4,332,635</u>	<u>\$ 426,812</u>	<u>\$ 1,188,594</u>	<u>\$ 3,133,979</u>	<u>\$ 538,754</u>	<u>\$ 13,253,962</u>

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2012**

	<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>Totals</u>
Personnel and payroll taxes	\$ 1,012,879	\$ 1,213,369	\$ 203,923	\$ 770,513	\$ 573,714	\$ 391,462	\$ 4,165,860
Program acquisitions	1,352,830	90,673	-	-	84,428	-	1,527,931
Professional services	330,347	88,341	79,843	111,353	1,088,558	26,412	1,724,854
Contributed goods and services	-	217,705	-	4,700	17,630	97,669	337,704
Mailing and shipping	6,721	8,430	409	2,518	528,989	646	547,713
Printing and duplicating	21,749	3,702	8,528	5,705	28,175	1,230	69,089
Building, distribution, and software	15,689	979,053	-	2,706	116,933	-	1,114,381
Subscriptions, dues, and licenses	106,283	15,112	1,727	73,168	1,483	2,585	200,358
Premiums, advertising, and promotions	3,250	4,239	58,120	7,708	393,039	3,657	470,013
Supplies and videotapes	32,661	52,111	3,134	33,589	111,813	1,847	235,155
Travel, parking, and mileage	21,047	22,300	788	6,508	9,315	2,212	62,170
Insurance	16,276	-	-	49,846	-	-	66,122
Telephone and connectivity	12,635	47,629	3,831	14,630	26,871	5,342	110,938
Interest	-	3,668	-	6,951	-	-	10,619
Training and meetings	2,482	17,817	977	29,864	41,669	11,381	104,190
Repairs and maintenance	7,074	90,317	-	-	-	-	97,391
Temporary assistance	-	35	-	-	-	-	35
Meetings and promotional events	4,973	26,913	8,843	20,116	78,696	231	139,772
Recruiting	160	709	-	541	1,143	150	2,703
Bad debt	250	2,165	-	3,106	-	3,332	8,853
Total expenses before depreciation and amortization	2,947,306	2,884,288	370,123	1,143,522	3,102,456	548,156	10,995,851
Depreciation and amortization	9,097	1,406,636	-	-	-	-	1,415,733
Total expenses	<u>\$ 2,956,403</u>	<u>\$ 4,290,924</u>	<u>\$ 370,123</u>	<u>\$ 1,143,522</u>	<u>\$ 3,102,456</u>	<u>\$ 548,156</u>	<u>\$ 12,411,584</u>

See notes to consolidated financial statements.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Consolidated Statements of Cash Flows

	For the Years Ended	
	June 30,	
	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 373,637	\$ (1,105,165)
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Change in allowance for doubtful accounts	5,875	(4,944)
Depreciation	1,355,807	1,415,733
Non-cash contribution of in-kind property and equipment	-	(1,255,000)
Net realized and unrealized (gains) loss on investments	(659,404)	584,561
Changes in certain assets and liabilities		
Contributions, grants, and other receivables	(576,485)	(1,550)
Program and underwriting fees receivable	(108,334)	(246,391)
Bequest receivable	(1,950,205)	-
Program inventory	(17,658)	(38,374)
Prepaid and other expenses	(15,364)	(18,035)
Accounts payable	(526,091)	307,205
Accrued expenses	(91,928)	246,706
Deferred revenue	227,007	(79,420)
Obligation under charitable gift annuities	(8,064)	(7,124)
Net cash (used in) operating activities	(1,991,207)	(201,798)
Cash flows from investing activities		
Payments for purchase of property and equipment	(339,071)	(607,731)
Net purchases and sales of investments	1,565,905	653,052
Net cash provided by investing activities	1,226,834	45,321
Cash flow from financing activities		
Repayment of obligation under capital lease	-	(20,949)
Net proceeds and payments on line-of-credit	451,213	-
Net cash provided by (used in) financing activities	451,213	(20,949)
Net change in cash and cash equivalents	(313,160)	(177,426)
Cash and cash equivalents, beginning of year	469,346	646,772
Cash and cash equivalents, end of year	\$ 156,186	\$ 469,346

Supplemental disclosure of cash flow information:

Interest paid was \$25,106 and \$10,619 for the years ended June 30, 2013 and 2012, respectively.

Supplemental disclosure of non-cash activity:

During the year ended June 30, 2013, an in-kind contribution receivable for a building in the amount of \$1,255,000 was received into property and equipment.

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 Coloradoans. On July 1, 2013, the Network merged with KUVU/Denver Educational Broadcasting and began public radio broadcasting. The Network enriches the lives of Coloradoans through engaging and essential programs, services, and community partnerships that inform, enlighten, and entertain.

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, and I-News for the six months ended June 30, 2013. There was no significant operating activity in RMPB Ventures, Inc. during the years ended June 30, 2013 and 2012. 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 1996 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 and those resources invested in property and equipment.

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.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

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

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.

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, and contributions 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 contributions receivable is limited due to the number and creditworthiness of the corporations, foundations, and individuals who comprise the 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 statements 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.

Contributions Receivable

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.

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. There was no allowance for uncollectible contributions receivable at June 30, 2013 and 2012.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

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

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.

Construction in Progress

The Network has capitalized costs related to transmitters and broadcasting 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, 2013 and 2012.

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.

Contributions

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 statements of activities as net assets released from restrictions.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

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

Program Underwriting

Program underwriting is recorded from signed agreements. Program underwriting related to purchased programs is recognized as unrestricted net assets. Accounts receivable are recorded for the full amount of the signed underwriting agreement.

Advertising

The Network uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the years ended June 30, 2013 and 2012, advertising expense was \$83,470 and \$74,419, respectively.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Network in its programs and general operations. The Network received volunteer hours in 2013 and 2012 ranging from 13,000 to 15,000 hours each year. 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, 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 is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). However, 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 years ended June 30, 2013 and 2012. 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 amounts have been recognized as of June 30, 2013. 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, 2013. Tax years that remain subject to examination include 2010 through 2013.

RMPB Ventures, Inc. is a for-profit corporation and is subject to federal and state income taxes at the applicable corporate rates. As there was no significant operating activities in RMPB Ventures, Inc., income taxes were insignificant for the years ended June 30, 2013 and 2012.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

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

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.

Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 presentation.

Subsequent Events

During the year ended June 30, 2013, the Network entered into an assignment and assumption agreement with KUVU/Denver Educational Broadcasting ("KUVU"). As of November 2012, the Network began providing accounting and administrative services for KUVU. Effective July 1, 2013, the Network and KUVU formally merged operations. 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.

Subsequent to June 30, 2013, the Network executed a purchase commitment for land at Lookout Mountain in Colorado for approximately \$150,000.

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

Note 2 - Investments

Investments are comprised of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Investments, at fair value		
Money markets	\$ 1,888,426	\$ 2,512,375
Fixed income mutual funds	972,545	1,050,435
Equity mutual funds	<u>6,187,126</u>	<u>6,391,528</u>
Total investments, at fair value	9,048,097	9,954,338
Other - valued at cost		
Certificates of deposit (time deposits)	<u>200,458</u>	<u>200,718</u>
Investments per consolidated statements of financial position	<u>\$ 9,248,555</u>	<u>\$ 10,155,056</u>

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 2 - Investments (continued)

Investment income consists of the following:

	June 30,	
	2013	2012
Dividends and interest, net of fees	\$ 213,046	\$ 209,307
Net realized (losses) gains	(8,774)	6,282
Net unrealized gains (losses)	<u>668,178</u>	<u>(590,843)</u>
Total investment return	<u>\$ 872,450</u>	<u>\$ (375,254)</u>

The Network has a 60% 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. This investment is recorded in the consolidated financial statements at cost, \$101,029 at June 30, 2013 and 2012.

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.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 3 - Fair Value Measurement (continued)

Financial assets carried at fair value measured on a recurring basis as of June 30, 2013 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	\$ 1,888,426	\$ -	\$ -	\$ 1,888,426
Fixed income mutual funds	972,545	-	-	972,545
Equity mutual funds	<u>6,187,126</u>	-	-	<u>6,187,126</u>
Total fair value	<u>\$ 9,048,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,048,097</u>

Financial assets carried at fair value measured on a recurring basis as of June 30, 2012 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	\$ 2,512,375	\$ -	\$ -	\$ 2,512,375
Fixed income mutual funds	1,050,435	-	-	1,050,435
Equity mutual funds	<u>6,391,528</u>	-	-	<u>6,391,528</u>
Total fair value	<u>\$ 9,954,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,954,338</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.

Note 4 - Property and Equipment

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 525,000	\$ 525,000
Buildings and improvements	9,643,039	8,388,039
Furniture, fixtures, and equipment	12,777,023	12,533,175
Transmitter facilities and equipment	10,952,406	10,902,900
Construction in process	416,267	390,450
Less accumulated depreciation	<u>(27,009,333)</u>	<u>(25,673,426)</u>
	<u>\$ 7,304,402</u>	<u>\$ 7,066,138</u>

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 5 - Charitable Gift Annuities

Charitable gift annuities are arrangements between a donor and a not-for-profit organization in which the donor contributes assets to the organization in return for a promise by the organization to make periodic fixed payments over the life of a donor or a designated beneficiary. The assets received are held as general assets of the Network; the obligation to make periodic disbursements to the beneficiary becomes a general obligation of the Network.

Liabilities for future payments to beneficiaries of \$5,679 and \$13,743 are recorded in the accompanying consolidated financial statements at June 30, 2013 and 2012, respectively.

Note 6 - Net Assets

Board Designated Net Assets

The Board of Directors has designated net assets of \$6,913,270 and \$8,035,908 to be invested for the purpose of funding future programs and operations as of June 30, 2013 and 2012, respectively.

Temporarily Restricted Net Assets

The temporarily restricted net assets represent the net proceeds of donations that have been restricted by the donors to be used only for underwriting to be provided in future years. When restrictions are satisfied, temporarily restricted net assets are released.

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.

During the year ended June 30, 2012, the Network determined that a gift received in a prior year had the donor's intention of being held in perpetuity as an endowment. As the Network was made aware of those restrictions during 2012, funds totaling \$50,000 were transferred from unrestricted net assets to permanently restricted net assets during fiscal year 2012. There were no changes in permanently restricted net assets during 2013.

Note 7 - 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 \$94,907 and \$88,961 for the years ended June 30, 2013 and 2012, respectively.

ROCKY MOUNTAIN PUBLIC BROADCASTING NETWORK, INC.

Notes to Consolidated Financial Statements

Note 8 - 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 ten 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. 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 9 - Line-of-Credit

During the year ended June 30, 2013, the Network, as part of the assignment and assumption agreement entered into with KUVU (Note 1), entered into a \$500,000 line-of-credit with a bank, which bears interest at 3.75% and matures April 12, 2014. The outstanding balance at June 30, 2013 was \$451,213. The line-of-credit is collateralized by deposit accounts of the Network.

Note 10 - Operating Leases

The Network leases equipment under non-cancelable operating leases through April 2019. Rent expense for the years ended June 30, 2013 and 2012 was \$449,224 and \$373,520, respectively.

Future minimum lease payments under these leases are as follows:

For the Year Ending June 30,

2014	\$	293,258
2015		241,488
2016		204,706
2017		204,706
2018		204,706
Thereafter		<u>168,080</u>
	\$	<u>1,316,944</u>