

COLORADO PUBLIC TELEVISION, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Colorado Public Television, Inc. (a Colorado nonprofit corporation), which comprise the statements of financial position as of September 30, 2016, and the related statements of activities, cash flows and functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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, 2016, and the changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

GC2 Professional Services P.C.

GC2 PROFESSIONAL SERVICES PC
Certified Public Accountants

Aurora, Colorado
February 27, 2017

COLORADO PUBLIC TELEVISION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL ALL
ASSETS				
Current assets				
Cash and cash equivalents	\$ 310,073	\$ 0	\$ 0	\$ 310,073
Accounts receivable, net of allowance	213,565	0	0	213,565
Pledges and grants receivable	92,110	0	0	92,110
Prepaid and other	<u>169,631</u>	<u>0</u>	<u>0</u>	<u>169,631</u>
Total current assets	785,379	0	0	785,379
Property and equipment, at cost, net	2,590,609	30,714	0	2,621,323
Investments	<u>4,180,023</u>	<u>93,874</u>	<u>184,860</u>	<u>4,458,757</u>
Total assets	<u>\$ 7,556,011</u>	<u>\$ 124,588</u>	<u>\$ 184,860</u>	<u>\$ 7,865,459</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 207,670	\$ 0	\$ 0	\$ 207,670
Accrued expenses	74,785	0	0	74,785
Line of credit	62,586	0	0	62,586
Long-term debt, current portion	18,934	0	0	18,934
Other liabilities	<u>67,175</u>	<u>0</u>	<u>0</u>	<u>67,175</u>
Total current liabilities	<u>431,150</u>	<u>0</u>	<u>0</u>	<u>431,150</u>
Long-term debt, net of current portion	<u>140,086</u>	<u>0</u>	<u>0</u>	<u>140,086</u>
Due to (from)	<u>45,815</u>	<u>(45,815)</u>	<u>0</u>	<u>0</u>
Net assets				
Undesignated	2,859,765	170,403	184,860	3,215,028
Designated				0
Reserve	113,451	0	0	113,451
Board endowment	<u>3,965,744</u>	<u>0</u>	<u>0</u>	<u>3,965,744</u>
	<u>6,938,960</u>	<u>170,403</u>	<u>184,860</u>	<u>7,294,223</u>
Total liabilities and net assets	<u>\$ 7,556,011</u>	<u>\$ 124,588</u>	<u>\$ 184,860</u>	<u>\$ 7,865,459</u>

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

COLORADO PUBLIC TELEVISION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL ALL
SUPPORT AND REVENUE:				
Membership revenue	\$ 1,542,941	\$ 0	\$ 0	\$ 1,542,941
Special event revenue	1,159,748	0	0	1,159,748
Grants	729,992	259,783	0	989,775
Lease revenue, excess capacity	611,585	0	0	611,585
CPB grants	520,583	0	0	520,583
Unrealized gain on investments	294,048	17,475	0	311,523
Rental income	88,216	0	0	88,216
Investment income	80,817	5,637	0	86,454
In-kind donations	45,470	0	0	45,470
Production income	32,832	0	0	32,832
Miscellaneous income	20,060	0	0	20,060
Realized gain (loss) on sale of investments	(4,749)	2,260	0	(2,489)
Released from restriction	<u>323,303</u>	<u>(323,303)</u>	<u>0</u>	<u>0</u>
Total support and revenue	<u>5,444,846</u>	<u>(38,148)</u>	<u>0</u>	<u>5,406,698</u>
Expenses				
Programming and production	1,031,310	0	0	1,031,310
Broadcasting	774,509	0	0	774,509
Public information and promotion	245,572	0	0	245,572
Total program services	<u>2,051,391</u>	<u>0</u>	<u>0</u>	<u>2,051,391</u>
Management and general	818,649	0	0	818,649
Fundraising and membership	1,897,116	0	0	1,897,116
Underwriting and grant solicitation	175,441	0	0	175,441
Total supporting services	<u>2,891,206</u>	<u>0</u>	<u>0</u>	<u>2,891,206</u>
Total expenses	<u>4,942,597</u>	<u>0</u>	<u>0</u>	<u>4,942,597</u>
Change in net assets	<u>502,249</u>	<u>(38,148)</u>	<u>0</u>	<u>464,101</u>
Net assets, beginning, as previously reported	6,536,084	208,551	184,860	6,929,495
Prior period adjustment	<u>(99,373)</u>	<u>0</u>	<u>0</u>	<u>(99,373)</u>
Net assets, beginning, as restated	6,436,711	208,551	184,860	6,830,122
Net assets, ending	<u>\$ 6,938,960</u>	<u>\$ 170,403</u>	<u>\$ 184,860</u>	<u>\$ 7,294,223</u>

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

COLORADO PUBLIC TELEVISION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL ALL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in Net Assets	\$ 502,249	\$ (38,148)	\$ 0	\$ 464,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	195,304	18,162	0	213,466
Loss on sale of fixed asset	1,240	0	0	1,240
Unrealized (gain) loss on investements	(294,048)	(17,474)	0	(311,522)
Changes in operating assets and liabilities	(179,228)	55,000	0	(124,228)
	<u>225,517</u>	<u>17,540</u>	<u>0</u>	<u>243,057</u>
Cash from (to) operations				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed assets	(88,137)	0	0	(88,137)
Increase in investments	(158,344)	(5,256)	0	(163,600)
	<u>(246,481)</u>	<u>(5,256)</u>	<u>0</u>	<u>(251,737)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from line of credit	62,586	0	0	62,586
Payments on notes payable	(17,595)	0	0	(17,595)
Change in due to/from	12,284	(12,284)	0	0
	<u>57,275</u>	<u>(12,284)</u>	<u>0</u>	<u>44,991</u>
NET INCREASE (DECREASE) IN CASH	36,311	0	0	36,311
CASH, beginning	<u>273,762</u>	<u>0</u>	<u>0</u>	<u>273,762</u>
CASH, ending	<u>\$ 310,073</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 310,073</u>

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

COLORADO PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Programming and Production	Broadcasting	Public Information and Promotion	Total Program Services	Management and General	Fundraising and Membership	Underwriting and Grant Solicitation	Total Supporting Services	Total Expenses
Salaries, payroll taxes and benefits	\$ 412,638	\$ 423,114	\$ 151,437	\$ 987,189	\$ 389,564	\$ 619,799	\$ 112,525	\$ 1,121,888	\$ 2,109,077
Special events	0	0	0	0	0	630,221	0	630,221	630,221
Premiums	0	0	0	0	0	385,878	0	385,878	385,878
Acquisition programming	275,558	0	0	275,558	0	3,520	0	3,520	279,078
Production costs	236,298	0	0	236,298	0	0	0	0	236,298
Depreciation/amortization	5,288	126,347	0	131,635	81,831	0	0	81,831	213,466
Building expenes	0	0	0	0	148,362	0	0	148,362	148,362
Contract services	0	39,079	0	39,079	0	64,128	0	64,128	103,207
Contract labor	40,110	1,037	18,000	59,147	3,957	25,388	13,518	42,863	102,010
Rent	0	92,454	0	92,454	0	0	0	0	92,454
Advertising	166	0	36,937	37,103	60	0	28,000	28,060	65,163
Direct mail	0	0	0	0	0	63,319	0	63,319	63,319
Bank charges	0	0	0	0	2,978	42,780	1,084	46,842	46,842
Publications	24,540	0	0	24,540	444	0	16,750	17,194	41,734
Insurance	2,560	3,183	0	5,743	33,469	0	0	33,469	39,212
Website	0	0	38,545	38,545	0	0	0	0	38,545
Utilities	0	34,309	0	34,309	0	0	0	0	34,309
Equipment maintenance	1,169	32,071	0	33,240	0	0	0	0	33,240
Acquisition mailing	0	0	0	0	0	27,908	0	27,908	27,908
Supplies	8,017	0	0	8,017	16,859	2,194	0	19,053	27,070
Professional fees	0	0	0	0	26,902	0	0	26,902	26,902
Dues	3,765	0	0	3,765	22,338	0	0	22,338	26,103
Postage	0	0	0	0	1,102	21,251	0	22,353	22,353
Miscellaneous	0	0	0	0	16,936	180	0	17,116	17,116
Investment management	0	0	0	0	16,971	0	0	16,971	16,971
Telephone	746	3,765	0	4,511	12,382	0	0	12,382	16,893
Taxes, property	0	0	0	0	12,034	0	0	12,034	12,034
Interest	0	0	0	0	9,687	0	0	9,687	9,687
Travel and training	315	1,025	630	1,970	7,502	80	0	7,582	9,552
Equipment rental	0	0	0	0	9,512	0	0	9,512	9,512
Printing	0	0	0	0	2,766	6,584	0	9,350	9,350
Grants - community engagement	8,833	0	0	8,833	0	0	0	0	8,833
Computer maintenance/supplies	0	8,760	0	8,760	0	0	0	0	8,760
Computer-hardware/software	0	6,233	0	6,233	0	0	0	0	6,233
Auto-gas/mileage	718	3,084	0	3,802	(31)	0	0	(31)	3,771
Bad debts	0	0	0	0	0	0	3,407	3,407	3,407
Outreach and promotions	3,359	0	23	3,382	0	0	0	0	3,382
Grants - education resources	3,264	0	0	3,264	0	0	0	0	3,264
Videotape	2,841	0	0	2,841	0	0	0	0	2,841
Crew meals	1,125	48	0	1,173	0	1,643	0	1,643	2,816
Telemarketing services	0	0	0	0	0	2,243	0	2,243	2,243
Repairs and maintenance	0	0	0	0	1,667	0	0	1,667	1,667
Business development	0	0	0	0	1,357	0	87	1,444	1,444
Consultant	0	0	0	0	0	0	70	70	70
	<u>\$ 1,031,310</u>	<u>\$ 774,509</u>	<u>\$ 245,572</u>	<u>\$ 2,051,391</u>	<u>\$ 818,649</u>	<u>\$ 1,897,116</u>	<u>\$ 175,441</u>	<u>\$ 2,891,206</u>	<u>\$ 4,942,597</u>

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

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ADVERTISING – The Organization’s policy is to charge advertising costs to expenses as they are incurred.

ALLOWANCE FOR BAD DEBTS - The Organization uses the allowance method for bad debts. Under this method, an estimation of the uncollectible portion of receivables is offset against the receivable. As accounts are determined to be uncollectible, the receivable and the allowance account are reduced.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Accounting Standards Codification (“ASC”) as found in ASC 958. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

1. Unrestricted – net assets not subject to donor-imposed stipulations.
2. Temporarily Restricted – net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by action of the Organization.
3. Permanently Restricted – net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization.

CASH AND CASH EQUIVALENTS - For purposes of reporting cash flows, cash equivalents include demand accounts, money market accounts and highly liquid investments purchased with an original maturity of three months or less.

COMMISSIONS – The Organization 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 Organization.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DONATED SERVICES AND IN-KIND CONTRIBUTIONS - In accordance with ASC 958 contributions of services are recognized only if the services received either (a) create or enhance non-financial assets or (b) involve specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service, as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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.

PLEDGES - The Organization 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 Organization 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 Organization. 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.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PRODUCTION REVENUE AND PROGRAM UNDERWRITING - The Organization 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.

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

PROPERTY AND EQUIPMENT - Amounts capitalized as property and equipment, including additions and improvements to existing assets, 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

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance cost and repairs are expensed when incurred in the operating fund; renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the respective costs and accumulated depreciation are removed from the accounts. The resulting gain or loss is included in the statement of operations for that period, except for non-monetary exchanges in which the basis of the asset acquired is adjusted for the gain or loss. Proceeds from the sale of assets, if unrestricted, are transferred to the operating fund, or if restricted, are transferred to the temporarily restricted fund for equipment acquisitions.

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.

TEMPORARILY OR PERMANENTLY RESTRICTED RESOURCES - When contributions are received with donor stipulations that limit the use of the donated assets, the Organization reports such gifts as either temporarily restricted or permanently restricted support depending on the nature of the donor restrictions. 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.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

USE OF 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 the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

VALUATION OF INVESTMENTS - Investments are initially recorded at historical cost or original donated value. Marketable securities are stated at their fair market value.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 27, 2017, the date that the financial statements were available to be issued.

NOTE 3 - CONCENTRATION OF CREDIT RISK AND FINANCIAL INSTRUMENTS

CASH BALANCES - The Organization maintains cash balances at one financial institution located in the Denver metropolitan area. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time throughout the year, the Organization's cash balances may exceed the FDIC limit. At September 30, 2016, the Organization had uninsured balances of \$59,823.

PUBLIC SUPPORT – The Organization earned \$520,583 of support from the Corporation for Public Broadcasting during the fiscal year ended September 30, 2016. This represents 9.6% of the total revenue of the Organization.

LEASE REVENUE, EXCESS CAPACITY – The Organization earned \$611,585 of lease revenue of excess capacity during the fiscal year ended September 30, 2016. This represents 11.3% of the total revenue of the Organization.

NOTE 4 – CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows:

Checking	\$ 30,257
Money market	279,566
Petty cash	<u>250</u>
Total	<u>\$ 310,073</u>

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit with Key Bank. The note is dated September 30, 2016, for a total available amount of \$350,000. Variable interest is allowable at 1.25% over prime rate, with interest due monthly and a rate of 3.5% as of September 30, 2016. 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 balance outstanding on the line of credit at September 30, 2016 is \$62,586.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of the fixed assets and the respective accumulated depreciation is as follows:

Description	Cost Basis	Accumulated Depreciation
Land	\$ 425,253	\$ 0
Land improvements	17,307	6,626
Building	1,701,012	405,516
Building improvements	462,071	320,761
Production equipment	573,495	544,654
Transmission equipment	2,244,762	1,572,994
Office equipment, furniture and fixtures	164,358	116,381
Vehicles	7,873	7,873
Software	77,130	77,130
Leasehold improvements	<u>40,110</u>	<u>40,110</u>
Totals	<u>\$ 5,713,371</u>	<u>\$ 3,092,048</u>

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. As of September 30, 2016, PTFP had a lien on equipment with a net book value of \$30,715.

NOTE 7 – OTHER LIABILITIES

As part of the 2006 purchase of the condominium units at 2900 Welton Street, the Organization agreed to pay KUVO \$100,000 for the Organization's purchase of KUVO's share of the third floor space. Terms of the agreement required payment of \$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 (December 31, 2016) or when the Organization 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, 2016 was \$55,000. This amount is included in "other liabilities" on the statement of financial position.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RECEIVABLES

A summary of receivables is as follows:

Description	Accounts Receivable	Pledges & Grants
Underwriting	\$ 19,868	\$ 0
Production	5,725	0
Events	134,948	0
Lease – excess capacity	51,218	0
Other	3,764	0
Campaign pledges	0	44,610
Grants receivable	<u>0</u>	<u>47,500</u>
Total before allowance account	215,523	92,110
Allowance for doubtful accounts	<u>(1,958)</u>	<u>0</u>
Receivables, net	<u>\$ 213,565</u>	<u>\$ 92,110</u>

Campaign/membership pledges 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 latter part of the fiscal year ended September 30, 2016. The amounts are based upon an average historical pledge collection rate of 84.4%. The collection rate percentage is applied to the gross pledges, the amounts collected then subtracted to arrive at the pledges receivable. 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 9 – FIVE POINTS MEDIA CENTER HOLDINGS, INC.

In 2006, the Organization and Denver Educational Broadcasting (a/k/a “KUVO”) formed a non-profit Organization, 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. The fair market value of the building was appraised and the Organization recorded their share as reflected above on the Building line item. In March, 2007, the building was divided into condominium units as FPMCH filed a “Condominium Declaration” to convert the property at 2900 Welton Street into a Condominium Association. In May, 2007, FPMCH issued special warranty deeds to the Organization and KUVO to document their respective ownership shares in the Condominium Association 68.7% and 31.3%, respectively.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – FIVE POINTS MEDIA CENTER HOLDINGS, INC. (continued)

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 Organization, prorated based on these percentages. Each condominium owner is liable for their pro-rata share of the note payable, however the assumed note was not legally split between the parties. In addition, the Organization purchased KUVU's share of the third floor space for \$100,000. FPMCH is responsible for management of the 2900 Welton Street property.

FPMCH has not filed income tax returns since its inception. The amount of tax, if any is due, and the related penalties and interest is not determinable; however, if FPMCH would not have the funds to pay any liability, the members of the association would be responsible to fund FPMCH their proportional amount.

NOTE 10 - LONG-TERM DEBT

The Organization and KUVU 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 requires a monthly principal and interest payments of \$3,209, an interest rate of 5% and matures December, 2023. The note balance at September 30, 2016, was \$231,471, of which \$159,020 is recorded on the Organization's books which represents their 68.7% ownership interest in the building.

Because The City & County of Denver has not split the note between the two parties and should KUVU default, the Organization could be contingently liable for the full note balance. In 2013 KUVU's ownership was assumed by Rocky Mountain Public Broadcasting Network, Inc. (RMPBS) and all resulting assets and liabilities of KUVU have transferred to RMPBS.

A summary of the future maturities for the Organization's share of the note is as follows:

Fiscal year ended September 30,	
2017	\$ 18,934
2018	19,903
2019	20,921
2020	21,991
2021+	<u>77,271</u>
	159,020
Less: current portion	<u>18,934</u>
Long-term portion	<u>\$ 140,086</u>

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INCOME TAXES

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3); consequently, no provision or liability for income taxes has been provided in the accompanying financial statements.

The Organization has adopted provisions of ASC 740-10, "Accounting for Uncertainty in Income Taxes" which prescribes when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10. Management does not believe there to be any uncertain tax positions and has thus not recorded any related provision.

The Organization's tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of September 30, 2016, the tax years subject to examination include 2013 through 2015.

NOTE 12 – BOARD DESIGNATED ASSETS

BOARD ENDOWMENT: The Organization received a one-time lease payment of \$3,500,000 during the year ended September 30, 2008. As required by Generally Accepted Accounting Principles, 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 Board of Directors designated these funds to be placed into an endowment fund to benefit the Organization in future years; therefore, this endowment fund is classified as unrestricted.

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.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – BOARD DESIGNATED ASSETS (continued)

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 Organization monthly based on an annual percentage formula. The distribution will be the greater of 4.5% of the trailing 36 month average market value or, 4% of the funds current market value or, a separate determination of the Board of Directors.

The following is a summary of the transactions for the year ended September 30, 2016:

Balance at October 1, 2015, at cost	\$ 2,725,947
Additional contributions	59,632
Investment income	70,340
Distributions	(176,449)
Investment fees	<u>(14,328)</u>
Balance at September 30, 2016, at cost	2,665,142
Unrealized gain	<u>1,300,602</u>
Balance at September 30, 2016, FMV	<u><u>\$ 3,965,744</u></u>

BOARD CAPITAL RESERVES: As of September 30, 1999, the Organization's Board of Directors designated funds from the Organization's unrestricted net assets to be segregated for a capital reserve account available as a match for future grants. The Board of Directors has since allowed these funds to be held in the checking account of the Organization and has permitted other uses, as approved by the board. The balance of the Board designated capital reserve funds at September 30, 2016, was \$113,451.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – PERMMANENTLY RESTRICTED ASSETS

The Organization'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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Colorado Public Television Endowment Fund was created during the year ended September 30, 2006. The Organization was participating in the Community First Foundation Endowment Challenge Grant Program, under which contributions made by the Organization 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 corpus of the fund is composed of what the Organization raised (\$123,240) and the Community First Foundation match (\$61,620) which totaled \$184,860. The purpose of the fund is to support the Organization's programming.

The fund is a pooled investment fund maintained by the Community First Foundation but remains an asset of the Organization. No variance power has been granted by the Organization to the Community First Foundation as described in the Financial Accounting Standards for non-profit revenue recognition at ASC 958-605-25. All the accumulated income, less expenses and distributions of the fund is accounted for in the temporarily restricted fund.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – EMPLOYEE BENEFIT PLAN

The Organization 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, 2016 was \$117,089.

The Organization 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 15 – COMMUNITY SERVICE GRANTS

The Organization 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 Organization 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 Organization received and expended \$520,583 in Community Service Grants during the year ended September 30, 2016.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Organization 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, 2015 of \$6,085 and terminates March 2018 with an annual escalation clause. A broadcast signal transmission lease terminates December 2016 at \$373 per month with an annual escalation clause. A five year transmission lease terminates February 2017 and is at a rate of \$900 per month.

Future minimum operating rental payments are as follows:

Fiscal year ended September 30,			
2017		\$	91,013
2018			<u>43,874</u>
			<u>\$ 134,887</u>

NOTE 17 - INVESTMENTS

At September 30, 2016, investments consisted of the following:

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
The Common Fund –			
Multi-strategy funds	\$ 2,665,142	\$ 3,965,744	\$ 1,300,602
Community First Foundation	221,289	278,733	57,444
Annuities held	184,618	184,618	0
IREA capital stock	<u>29,662</u>	<u>29,662</u>	<u>0</u>
	<u>\$ 3,100,711</u>	<u>\$ 4,458,757</u>	<u>\$ 1,358,046</u>

NOTE 18 – LEASE REVENUE – EXCESS CAPACITY

The Organization is the original licensee of three Educational Broadband Service (“EBS”) channels. These channels are leased on a long-term basis under a lease agreement. Due to a confidentiality agreement, the terms of the lease are not allowed to be disclosed.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 19 – CASH FLOWS

At September 30, 2016, investments consisted of the following:

DESCRIPTION	UN RESTRICTED	TEMP- ORARILY RESTRICTED	PERM- ANENTLY RESTRICTED
Current assets (increase) decrease			
Accounts receivable	\$ (8,771)	\$ 55,000	\$ 0
Pledges & grants receivable	(65,481)	0	0
Prepays and other	(60,071)	0	0
Current liabilities increase (decrease)			
Accounts payable	(49,445)		
Accrued expenses	<u>3,789</u>	<u>0</u>	<u>0</u>
	<u>\$ (179,228)</u>	<u>\$ 55,000</u>	<u>\$ 0</u>

NOTE 20 – PRIOR PERIOD ADJUSTMENT

In prior years, the Organization recorded as an asset its membership interest in the common interest reality association (FPMCH condominium association - see Note 9 above). This resulted in overstating the cash position of the Organization on its financial statements. The amount of the adjustment to the beginning net assets is \$99,373.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 21 - FAIR VALUE MEASUREMENTS

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
	_____	_____	_____	_____
Financial Assets:				
Cash	\$ 310,073	\$ 310,073	\$ 0	\$ 0
Receivables	305,675	0	0	305,675
Investments	4,458,757	4,458,757	0	0
Property and Equipment	3,697,000	0	0	3,697,000
Financial Liabilities:				
Accounts payable	207,670	0	0	207,670
Accrued expenses	74,785	0	0	74,785
Other liabilities	67,175	0	0	67,175
Line of credit	62,586	0	0	62,586
Long-term debt	159,020	0	0	159,020

Financial assets valued using level 1 inputs are based on quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are valued using management's assumptions about what market participants would utilize in pricing the asset or liability. For receivables and payables, the carrying amount is a reasonable estimate of fair value due to the relatively short period of time between origination and collection or payment.

COLORADO PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 22 – TEMPORARILY RESTRICTED ASSETS

A summary of the changes in the temporarily restricted assets is as follows:

Purpose	Beginning	Additions	Released	Ending
Marion Gottesfeld Program	\$ 5,843	\$ 0	\$ 2,880	\$ 2,963
Building support	3,122	0	0	3,122
Programming and productions	79,566	262,425	302,261	39,730
Net gain from Community First Endowment	71,444	22,730	0	93,874
Equipment, unamortized PTFP share	<u>48,876</u>	<u>0</u>	<u>18,162</u>	<u>30,714</u>
Totals	<u>\$ 208,551</u>	<u>\$ 285,155</u>	<u>\$ 323,303</u>	<u>\$ 170,403</u>