Public Broadcasting of Colorado, Inc.
(DBA Colorado Public Radio)

Financial Statements
June 30, 2014

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Kundinger, Corder & Engle, P.C.

Certified Public Accountants
475 Lincoln Street, Suite 200
Denver, Colorado 80203

Phone (303) 534-5953
Fax (303) 892-7776
www.kcedenver.com

Independent Auditor's Report

Board of Directors
Public Broadcasting of Colorado, Inc.:

We have audited the accompanying financial statements of Public Broadcasting of Colorado, Inc. (dba Colorado Public Radio) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from 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 Public Broadcasting of Colorado, 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.

Kundinger, Corder & Engle, P.C.

November 11, 2014

Public Broadcasting of Colorado, Inc.
(DBA Colorado Public Radio)
Statement of Financial Position
June 30, 2014

Assets:	
Cash and cash equivalents	$ 1,218,774
Underwriting and other receivables, net of allowance for doubtful accounts of $20,795	579,579
Pledges receivable, net of allowance for doubtful accounts of $138,404 (note 2)	1,677,445
Prepaid expenses and other assets	364,842
Board designated investments (notes 3, 4 and 11)	2,381,702
Investments (notes 3 and 4)	6,698,087
Land, buildings, and equipment, net (note 5)	6,521,687
Broadcast licenses (note 6)	12,998,795
Investment in joint venture (note 7)	125,506
Total assets	$ 32,566,417
Liabilities and Net Assets:	
Liabilities:	
Accounts payable and accrued liabilities	$ 911,033
Deferred revenue	206,625
Refundable advances (note 8)	195,064
Bond payable (note 10)	11,104,293
Total liabilities	12,417,015
Net assets (note 11):	
Unrestricted	
Board designated	2,381,702
Undesignated	17,751,776
Total unrestricted net assets	20,133,478
Permanently restricted	15,924
Total net assets	20,149,402
Commitments (notes 9, 12 and 13)	
Total liabilities and net assets	$ 32,566,417

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

Public Broadcasting of Colorado, Inc.
(DBA Colorado Public Radio)
Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Permanently Restricted	Total
Operating support and revenue:			
Subscription/individual support	$ 7,646,590	–	7,646,590
Planned gifts	120,742	–	120,742
News initiative funding	347,716	–	347,716
Vehicle donation program	1,179,047	–	1,179,047
Underwriting	4,545,831	–	4,545,831
Corporation for Public Broadcasting	798,585	–	798,585
In-kind donations	240,792	–	240,792
Interest and dividends	270,815	–	270,815
Loss from joint venture (note 7)	(8,488)	–	(8,488)
Other income	125,713	–	125,713
Total operating support and revenue	15,267,343	–	15,267,343
Operating expenses:			
Program services:			
Programming and production	6,870,003	–	6,870,003
Broadcasting	1,797,592	–	1,797,592
Total program services	8,667,595	–	8,667,595
Supporting services:			
Management and general	790,753	–	790,753
Underwriting and grant solicitation	1,502,864	–	1,502,864
Fundraising	1,870,785	–	1,870,785
Total supporting services	4,164,402	–	4,164,402
Total operating expenses	12,831,997	–	12,831,997
Change in net assets from operations	2,435,346	–	2,435,346
Depreciation expense	(549,803)	–	(549,803)
Realized and unrealized gains on investments	457,359	–	457,359
Change in net assets	2,342,902	–	2,342,902
Net assets at beginning of year	17,790,576	15,924	17,806,500
Net assets at end of year	$ 20,133,478	15,924	20,149,402

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

Public Broadcasting of Colorado, Inc.
(DBA Colorado Public Radio)
Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services			Supporting Services				
	Programming and Production	Broadcasting	Total Program Services	Management and General	Underwriting and Grant Solicitation	Fundraising	Total Supporting Services	Total Expenses
Salaries, taxes and benefits	$ 4,043,690	1,025,736	5,069,426	555,643	843,404	938,035	2,337,082	7,406,508
Occupancy costs	145,779	346,193	491,972	22,907	31,268	34,840	89,015	580,987
Program materials	1,345,662	8,380	1,354,042	-	-	-	-	1,354,042
Supplies	76,311	26,887	103,198	2,028	1,920	13,302	17,250	120,448
Computer expense	5,099	43,825	48,924	-	-	-	-	48,924
Donor recognition	5,232	-	5,232	-	-	145,213	145,213	150,445
Postage and printing	8,377	1,646	10,023	1,378	1,276	338,290	340,944	350,967
Dues and subscriptions	35,476	2,249	37,725	15,383	8,461	7,365	31,209	68,934
Telecommunications	74,675	18,297	92,972	10,007	13,669	15,230	38,906	131,878
Transmission expense	-	65,436	65,436	-	-	-	-	65,436
Professional services	336,975	105,996	442,971	84,952	24,071	185,074	294,097	737,068
Audience research	158,695	-	158,695	-	-	-	-	158,695
Travel and training	75,817	39,194	115,011	25,805	15,022	38,234	79,061	194,072
Repairs and maintenance	4,582	80,643	85,225	5,829	17,666	19,950	43,445	128,670
Insurance	34,540	8,906	43,446	5,427	7,408	8,255	21,090	64,536
Interest and bond expense	361,678	-	361,678	-	-	-	-	361,678
Bank fees	-	-	-	58,391	-	93,123	151,514	151,514
Agency commissions	-	-	-	-	498,888	-	498,888	498,888
Trade-out expense	129,708	23,784	153,492	15,477	39,419	32,404	87,300	240,792
Miscellaneous	27,707	420	28,127	(12,474)	392	1,470	(10,612)	17,515
Total before depreciation	6,870,003	1,797,592	8,667,595	790,753	1,502,864	1,870,785	4,164,402	12,831,997
Depreciation	97,430	364,566	461,996	9,431	12,793	65,583	87,807	549,803
Total expenses	$ 6,967,433	2,162,158	9,129,591	800,184	1,515,657	1,936,368	4,252,209	13,381,800

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

Public Broadcasting of Colorado, Inc.
(DBA Colorado Public Radio)
Statement of Cash Flows
Year Ended June 30, 2014

Cash flows from operating activities:	
Change in net assets	$ 2,342,902
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	549,803
Amortization of bond issuance costs	13,170
Realized and unrealized gains on investments	(457,359)
Gain on disposal of property and equipment	(3,246)
Loss from joint venture	8,488
(Increase) decrease in operating assets:	
Underwriting and other receivables	(75,578)
Pledges receivable	(120,489)
Prepaid expenses and other assets	4,905
Broadcast licenses	(9,000)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued liabilities	317,582
Deferred revenue	(443,350)
Refundable advances	195,064
Net cash provided by operating activities	2,322,892
Cash flows from investing activities:	
Purchases of property and equipment	(885,503)
Net purchases of investments	(885,603)
Proceeds from sale of property and equipment	3,246
Net cash used in investing activities	(1,767,860)
Cash flows from financing activities:	
Payments on bond payable	(455,237)
Net cash used in financing activities	(455,237)
Net increase in cash and cash equivalents	99,795
Cash and cash equivalents, beginning of year	1,118,979
Cash and cash equivalents, end of year	$ 1,218,774
Supplemental data:	
Interest paid	$ 348,508

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

(1) Summary of Significant Accounting Policies

(a) General

Public Broadcasting of Colorado, Inc. (dba Colorado Public Radio) is a not-for-profit organization incorporated in the state of Colorado. Colorado Public Radio (CPR) enriches the Colorado community by providing in-depth news, information and music for people who want to be informed, enlightened and entertained. CPR programming is heard across the state on a series of stations and translators, and all programming is streamed on the internet. Over 90% of the funding comes from communities, listeners, businesses, and foundations.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

(c) Financial Statement Presentation

Information regarding the financial position and activities of CPR is reported according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There are no temporarily restricted net assets at June 30, 2014.

(d) 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 results could differ from those estimates.

(e) Cash and Cash Equivalents

CPR considers all highly liquid investments with an initial maturity of three months or less, and which are not held as part of an investment portfolio, to be cash equivalents.

(f) Concentrations of Credit Risk

Financial instruments which potentially subject CPR to concentrations of credit risk consist principally of cash in excess of FDIC limits, temporary cash investments, investments in debt and equity securities, and receivables.

CPR places its cash accounts with creditworthy, high-quality financial institutions and monitors its positions with, and the credit quality of, the financial institutions with which it invests.

(1) Summary of Significant Accounting Policies, Continued

(f) Concentrations of Credit Risk, Continued

Investments are made by investment managers engaged by CPR and are monitored by the Board of Directors. 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 CPR.

Credit risk with respect to receivables is considered by management to be limited because substantially all contributions are receivable from corporations, foundations or individuals with a demonstrated history of payment.

(g) Contributions

CPR accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net asset are reclassified to unrestricted net asset and reported in the statement of activities as net assets released form restrictions.

(h) Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period the pledge is made. Pledges receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Pledges receivable are reported net of an allowance for doubtful accounts. The allowance is determined based on historical collection rates. Conditional pledges receivable are recognized as revenue when the conditions on which they depend are substantially met.

(i) Investments

CPR reports investments at fair value. Fair value is determined as more fully described under the fair value measurements policy described in note 4. In general, investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based upon quoted prices in active markets.

Investment return consists of the distributive share of any interest, dividends, and capital gains and losses generated from investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(1) Summary of Significant Accounting Policies, Continued

(j) Land, Buildings and Equipment

Land, buildings, and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. CPR capitalizes all expenditures for land, buildings, and equipment in excess of $1,000 and with a useful life exceeding three years. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to thirty years. Costs related to construction in progress are not depreciated until the assets are placed into service.

(k) Bond Issuance Costs

Costs incurred in connection with long-term debt are capitalized and amortized on a straight-line basis, which approximates the effective interest method, over the life of the bonds. Amortization expense for the year ended June 30, 2014 was $13,170.

(l) Broadcast Licenses

Generally accepted accounting principles require intangible assets with indefinite useful lives, such as FCC licenses, to be presented, yet does not permit amortization. The licenses are considered to have an indefinite useful life because cash flows are expected to continue indefinitely. CPR is required to annually test for impairment, and after such test, if the carrying value is determined to be in excess of fair value, the asset is written down to fair value and expensed to current operations. Management has determined that no impairment exists at June 30, 2014. See note 6 also.

(m) Revenue Recognition

CPR is supported primarily through individual pledges and program underwriting from businesses and community organizations. Individual support, contributions, and pledges are recorded as discussed in note 1(h).

Underwriting support is recognized as revenue when broadcast. Underwriting support received in advance is reported as deferred revenue. Underwriting receivables are stated net of an allowance for doubtful accounts. Management determines the allowance by considering a number of factors, including the length of time the receivable is past due, previous loss history, and economic and industry conditions.

(n) In-kind Donations

Contributed goods and services are recorded at estimated fair value at the date of receipt. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CPR. Donated goods and services are recorded in the functional expense category to which they relate.

(1) Summary of Significant Accounting Policies, Continued

(n) In-kind Donations, Continued

Many other individuals volunteer their time and perform a variety of tasks that assist CPR in its programs and general operations throughout the year, but these were not recognized as contributions in the accompanying financial statements because the recognition criteria under generally accepted accounting principles were not met.

(o) Allocation of Expenses

The costs of providing the various program services, activities, and related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the appropriate programs and supporting services benefited.

(p) Income Taxes

CPR is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the charitable contribution deduction. Income from activities not directly related to CPR's tax-exempt purpose is subject to taxation as unrelated business income. CPR did not incur any unrelated business income tax in 2014.

Management is required to evaluate tax positions taken by CPR and recognize a tax liability (or asset) if CPR has taken an uncertain position that more than likely would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none.

CPR is subject to routine audits by taxing jurisdictions. There are currently no audits for any tax periods in progress. Management believes CPR is no longer subject to income tax examinations for years prior to June 30, 2011.

(q) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. CPR's financial statements were available to be issued on November 11, 2014 and this is the date through which subsequent events were evaluated.

(2) Pledges Receivable

Pledges receivable consist primarily of amounts due from members. Management has evaluated the collectability of these pledges and has established an allowance of $138,404 based on past collection experience. All amounts are due in less than one year.

(3) Investments

Investments consist of the following at June 30, 2014:

Money market funds	$ 211,713
Mutual funds-equity	3,964,046
Mutual funds-debt	4,423,110
Exchange traded funds	480,920
	$ 9,079,789

Investments are reflected in the following accounts on the statement of financial position at June 30, 2014:

Board-designated investments (note 11)	$ 2,381,702
Investments	6,698,087
	$ 9,079,789

Investment return is summarized below:

Interest and dividend income	$ 270,815
Net realized and unrealized gains	457,359
Investment fees	(41,594)
Net investment return	$ 686,580

(4) Fair Value Measurements

CPR reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price 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. This standard requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair measurement standards also require CPR to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments generally included in Level 1 include mutual funds, listed equities, listed derivatives, and cash.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

(4) Fair Value Measurements, Continued

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in private equity and real estate funds, funds of hedge funds, and distressed debt.

In certain cases, the inputs used to measure fair value may fall in to different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on 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 the inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following table summarizes the valuation of CPR's financial instruments by the above fair value hierarchy levels as of June 30, 2014:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 211,713	211,713	-	-
Mutual funds-equity	3,964,046	3,964,046	-	-
Mutual funds-debt	4,423,110	4,423,110	-	-
Exchange traded funds	480,920	480,920	-	-
Total	$ 9,079,789	9,079,789	-	-

All assets have been valued based on the closing price reported on the active market on which the individual securities are traded. There were no changes in valuation methods during the year.

(5) Land, Buildings, and Equipment

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

Broadcasting equipment	$ 5,975,246
Building	2,673,352
Leasehold improvements	9,798
Office equipment, furniture and fixtures	1,623,062
	10,281,458
Less: accumulated depreciation	(5,953,831)
	4,327,627
Construction in progress	595,319
Land	1,598,741
Net land, buildings and equipment	$ 6,521,687

(6) Broadcast Licenses

The asset carrying value of broadcast licenses as of June 30, 2014 is $12,998,795 and represents the book value of those licenses purchased. However, many of CPR's broadcast licenses were not purchased, but instead were assigned directly by the FCC. All licenses are valued annually and, at June 30, 2014, the estimated fair value of all licenses was $28,214,000.

(7) Investment in Joint Venture

CPR is a member of a not-for-profit limited liability company, Sunlight Peak, LLC, whose purpose is to develop and operate, on behalf of the Members, a broadcast transmission facility on Sunlight Peak. The other Members are Roaring Fork Public Radio, Inc., and Carbondale Community Access Radio, Inc. Each Member has a one-third interest in the facility, and CPR accounts for this investment under the equity method.

The following summarized information is provided for Sunlight Peak, LLC, as of and for the year ended June 30, 2014:

Total assets	$ 252,892
Total liabilities	-
Net assets	$ 252,892
Change in net assets	$ (25,465)

(8) Conditional Grants and Refundable Advances

At June 30, 2014, CPR has three foundation grants which management believes are subject to donor-imposed conditions. These conditional grants are similar to cost reimbursement grants in which qualifying expenses must be incurred or other donor conditions met before the promises become unconditional. The promises are recognized and recorded as contribution revenue to the extent qualifying expenses have been incurred and any other donor conditions are met. At June 30, 2014, conditional grants totaled $680,000. Funds received in advance of the conditions being met are recorded as refundable advances.

At June 30, 2014, CPR has received funds related to conditional grants in advance of the conditions being met. These amounts are included in cash and cash equivalents and are also recorded as a refundable advance, a liability account, and totaled $195,064 at June 30, 2014. When the conditions are met, that is when the qualifying expenses are incurred and other conditions are met, the refundable advance is recognized as contribution revenue.

(9) Line of Credit

CPR has an unsecured line of credit of $500,000. The line of credit accrues interest at the lender's prime rate (3.25% at June 30, 2014) and matures in December 2014. At June 30, 2014, CPR had no amounts outstanding on the line of credit.

(10) Bonds Payable

CPR issued Series 2012 revenue refunding bonds on May 31, 2012 through the Colorado Educational and Cultural Facilities Authority (CECFA) in the amount of $12,000,000. Under the terms of the bond agreement, CPR is to make monthly payments of principal and interest of $66,979 through May 31, 2032. Interest accrues at 3.07% until May 31, 2022, at which time the interest rate will be reset. The bonds are collateralized by a building and two broadcast licenses. CPR is required to comply with various debt covenants and was in compliance at June 30, 2014. Additionally, CPR is required to pay an annual administration fee to CECFA, not to exceed 0.05% of the outstanding principal balance. As of June 30, 2014, total bonds payable were $11,104,293.

The bonds mature as follows for the years ending June 30:

2015	$ 469,411
2016	484,026
2017	499,097
2018	514,637
2019	530,660
Thereafter	8,606,462
	$ 11,104,293

(11) Net Assets

Board Designated
CPR maintains a board designated investment fund, The Opportunity Fund. This fund is to be used as a means of funding projects that generate new revenue. The goal will be to maintain a minimum balance of $1,000,000 in this fund, using earnings and new gifts to replenish the fund. The balance at June 30, 2014 was $2,381,702. See note 3 also.

Permanently Restricted

CPR's permanently restricted net assets consist of the Marsha Thomas Chamber Music Festival fund. Income earned on the principal is used for operations. At June 30, 2014, total permanently restricted net assets were $15,924.

(12) Employee Benefit Plan

CPR sponsors a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code. The Plan covers substantially all full-time employees of CPR. Eligible employees may contribute a portion of their gross salaries to the 403(b) plan up to the maximum amount established by the IRS. CPR matches up to 100% of the employee's contribution to a maximum of 5% of the employee's annual compensation. During 2014, CPR contributed $177,814 to the Plan.

(13) Lease Commitments

At June 30, 2014, CPR was committed under operating leases for the use of radio stations, and transmitter and translator usage. The leases expire at various dates through 2025. Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows for the year ending June 30, 2014:

2015	$ 252,276
2016	168,856
2017	134,976
2018	77,509
2019	10,027
Thereafter	52,247
	$ 695,891

Rent expense for the year ended June 30, 2014 was $272,262.