Connecticut Public Broadcasting, Inc.

Consolidated Financial Statements
(With Supplemental Information)
and Independent Auditor's Report

June 30, 2014 and 2013

Connecticut Public Broadcasting, Inc.

Index

Independent Auditor's Report

To the Audit Committee of the Board of Trustees
Connecticut Public Broadcasting, Inc.

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Connecticut Public Broadcasting, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

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 Connecticut Public Broadcasting, Inc. as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 23-25 is presented for purposes of additional analysis and is not a required part of the 2014 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2014 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 consolidated financial statements or to the 2014 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2014 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated September 5, 2014 on our consideration of Connecticut Public Broadcasting, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Connecticut Public Broadcasting, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Glastonbury, Connecticut
September 5, 2014

Connecticut Public Broadcasting, Inc.

Consolidated Statements of Financial Position
June 30, 2014 and 2013

Assets

	2014	2013
Current assets:		
Cash and cash equivalents	$ 383,620	$ 277,941
Investments	709,129	931,534
Accounts receivable, net of allowance of $226,111 in 2014 and $256,425 in 2013	3,822,361	3,174,612
Production costs	473,402	471,310
Prepaid expenses and deposits	61,521	5,042
	5,450,033	4,860,439
Other assets:		
Other receivables	58,449	633,972
Investments held for property and equipment	929,272	2,519,458
Investments - endowment	30,407,057	26,530,730
Other investments	76,229	76,229
	31,471,007	29,760,389
Property, equipment and leasehold improvements:		
Land and improvements	764,123	764,123
Building	13,838,496	11,806,978
Equipment	32,169,548	30,220,010
Leasehold improvements	155,720	155,720
Construction in progress	148,964	2,057,460
	47,076,851	45,004,291
Accumulated depreciation and amortization	(32,333,141)	(31,055,981)
	14,743,710	13,948,310
Total assets	$ 51,664,750	$ 48,569,138

Connecticut Public Broadcasting, Inc.

Consolidated Statements of Financial Position
June 30, 2014 and 2013

Liabilities and Net Assets

	2014	2013
Current liabilities:		
Line of credit	$ 1,941,157	$ 1,996,684
Current maturities of long-term debt	82,030	85,626
Accounts payable	3,419,191	2,931,632
Salaries, wages and payroll taxes	607,388	535,387
Deferred revenue	768,063	1,527,692
	6,817,829	7,077,021
Long-term liabilities:		
Long-term debt, less current maturities	146,029	194,953
Deferred revenue from license and funding agreements	13,154,864	12,728,135
	13,300,893	12,923,088
Total liabilities	20,118,722	20,000,109
Contingencies		
Net assets:		
Unrestricted	29,436,288	26,187,554
Temporarily restricted	1,729,969	2,001,704
Permanently restricted	379,771	379,771
Total net assets	31,546,028	28,569,029
Total liabilities and net assets	$ 51,664,750	$ 48,569,138

See Notes to Consolidated Financial Statements.

Connecticut Public Broadcasting, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Subscription and membership income	$ 5,588,375	-	-	$ 5,588,375
Planned gifts and bequests	84,811	-	-	84,811
Auctions and special events	101,710	-	-	101,710
Corporation for Public Broadcasting	2,488,871	-	-	2,488,871
Underwriting support	7,769,611	$ 67,000	-	7,836,611
Annual spending distribution	1,297,902	-	-	1,297,902
Contributed in-kind support	158,939	-	-	158,939
Donated personal services of volunteers	15,447	-	-	15,447
Nonbroadcasting services	165,603	-	-	165,603
Miscellaneous	116,875	-	-	116,875
Video services	35,450	-	-	35,450
Total revenues	17,823,594	67,000	-	17,890,594
Expenses:				
Program services:				
Programming and production	9,212,599	-	-	9,212,599
Broadcasting	1,801,704	-	-	1,801,704
Contributed in-kind support	147,728	-	-	147,728
Program information	580,724	-	-	580,724
	11,742,755	-	-	11,742,755
Supporting services:				
Fundraising and membership development:				
Membership development	2,822,517	-	-	2,822,517
Other fundraising expenses	730,815	-	-	730,815
Contributed in-kind support	11,211	-	-	11,211
Donated personal services of volunteers	15,447	-	-	15,447
Management and general	2,332,607	-	-	2,332,607
	5,912,597	-	-	5,912,597
Video services:				
Cost of production	7,267	-	-	7,267
General and administrative	13,116	-	-	13,116
	20,383	-	-	20,383
Total expenses	17,675,735	-	-	17,675,735
Change in net assets before other activities	147,859	67,000	-	214,859
Other activities:				
Annual spending distribution	(1,297,902)	-	-	(1,297,902)
Depreciation and amortization	(1,317,948)	-	-	(1,317,948)
Gain on sale of property and equipment	14,000	-	-	14,000
Interest expense	(109,028)	-	-	(109,028)
Investment income, net	2,650,106	99,564	-	2,749,670
Income from licensing of intangible assets	1,954,260	-	-	1,954,260
Contributions restricted for capital additions	-	769,088	-	769,088
Release of restricted assets for capital additions	1,207,387	(1,207,387)	-	-
	3,100,875	(338,735)	-	2,762,140
Change in net assets	3,248,734	(271,735)	-	2,976,999
Net assets at beginning of year	26,187,554	2,001,704	$ 379,771	28,569,029
Net assets at end of year	$ 29,436,288	$ 1,729,969	$ 379,771	$ 31,546,028

See Notes to Consolidated Financial Statements.

Connecticut Public Broadcasting, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Subscription and membership income	$ 5,959,925	-	-	$ 5,959,925
Planned gifts and bequests	24,252	-	-	24,252
Auctions and special events	394,288	-	-	394,288
Corporation for Public Broadcasting	2,011,612	-	-	2,011,612
Underwriting support	6,703,570	-	-	6,703,570
Annual spending distribution	607,521	-	-	607,521
Contributed in-kind support	155,005	-	-	155,005
Donated personal services of volunteers	16,206	-	-	16,206
Nonbroadcasting services	177,740	-	-	177,740
Miscellaneous	103,041	-	-	103,041
Video services	36,178	-	-	36,178
Total revenues	16,189,338	-	-	16,189,338
Expenses:				
Program services:				
Programming and production	8,438,384	-	-	8,438,384
Broadcasting	1,625,476	-	-	1,625,476
Contributed in-kind support	145,299	-	-	145,299
Program information	563,406	-	-	563,406
	10,772,565	-	-	10,772,565
Supporting services:				
Fundraising and membership development:				
Membership development	2,803,236	-	-	2,803,236
Other fundraising expenses	819,981	-	-	819,981
Contributed in-kind support	9,706	-	-	9,706
Donated personal services of volunteers	16,206	-	-	16,206
Management and general	2,186,584	-	-	2,186,584
	5,835,713	-	-	5,835,713
Video services:				
Cost of production	9,731	-	-	9,731
General and administrative	6,403	-	-	6,403
	16,134	-	-	16,134
Total expenses	16,624,412	-	-	16,624,412
Change in net assets before other activities	(435,074)	-	-	(435,074)
Other activities:				
Annual spending distribution	(607,521)	-	-	(607,521)
Depreciation and amortization	(1,157,675)	-	-	(1,157,675)
Interest expense	(101,595)	-	-	(101,595)
Capital and endowment campaign expenses	(74,662)	-	-	(74,662)
Investment income, net	1,412,563	$ 69,358	-	1,481,921
Income from licensing of intangible assets	1,954,260	-	-	1,954,260
Contributions restricted for capital additions	-	1,265,519	-	1,265,519
Release of restricted assets for capital additions	1,855,575	(1,855,575)	-	-
	3,280,945	(520,698)	-	2,760,247
Change in net assets	2,845,871	(520,698)	-	2,325,173
Net assets at beginning of year	23,341,683	2,522,402	$ 379,771	26,243,856
Net assets at end of year	$ 26,187,554	$ 2,001,704	$ 379,771	$ 28,569,029

See Notes to Consolidated Financial Statements.

Connecticut Public Broadcasting, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Operating activities:		
Change in net assets	$ 2,976,999	$ 2,325,173
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,317,948	1,157,675
Provision for losses (gains) on accounts receivable	(30,313)	13,980
Change in provision on merchandise inventory	2,365	(25,212)
Amortization of deferred revenue from licensing agreement	(1,954,260)	(1,954,260)
Contributions restricted for capital additions	(769,088)	(1,265,519)
Gain on sale of property and equipment	(14,000)	-
Investment income, net	(2,749,670)	(1,481,921)
Annual spending distribution	1,297,902	607,521
Changes in operating assets and liabilities:		
Accounts receivable	(617,436)	106,590
Other receivables	575,523	42,811
Merchandise inventory	(2,365)	44,334
Production costs, prepaid expenses and deposits	(58,571)	(133,121)
Accounts payable	487,559	(172,494)
Salaries, wages and payroll taxes	72,001	(59,951)
Deferred revenue	(759,629)	332,683
Net cash used in operating activities	(225,035)	(461,711)
Investing activities:		
Purchases of securities	(4,587,124)	(17,055,469)
Sales of securities	3,975,156	4,326,686
Proceeds from license of intangible assets and funding agreement, net	2,380,989	13,132,393
Proceeds from sale of property and equipment	14,000	-
Property and equipment additions	(2,113,348)	(2,303,675)
Net cash used in investing activities	(330,327)	(1,900,065)
Financing activities:		
Proceeds (payments) from line of credit, net	(55,527)	1,452,435
Proceeds from debt	40,558	-
Principal payments on debt	(93,078)	(84,961)
Contributions restricted for capital additions	769,088	1,265,519
Net cash provided by financing activities	661,041	2,632,993
Change in cash and cash equivalents	105,679	271,217
Cash and cash equivalents at beginning of year	277,941	6,724
Cash and cash equivalents at end of year	$ 383,620	$ 277,941
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 174,823	$ 116,172

See Notes to Consolidated Financial Statements.

Note 1 - Business and summary of accounting policies

Business

Connecticut Public Broadcasting, Inc. is a nonprofit organization which provides nonprofit and noncommercial television and radio services to serve the needs of the Connecticut community and contributes to the advancement of educational programs. Connecticut Public Broadcasting, Inc.'s wholly-owned for profit subsidiary, MediaVision Productions, Inc., provides television and radio equipment and services to third parties. Connecticut Public Broadcasting, Inc. and MediaVision Productions, Inc. are collectively referred to as the "Company".

The Company receives substantial revenues from governmental agencies, Corporation for Public Broadcasting, related parties and the public; a significant reduction in the level of this support may have an adverse effect on the Company's programs and activities. Significant programming services are provided to the Company by the Public Broadcasting Service. Operations include charges for such services of $2,084,340 and $1,906,803 in 2014 and 2013, respectively.

The statement of activities presents revenue from operations separately from non-operating activities. For purposes of the statement of activities, operations are defined as revenue and expenses (other than depreciation) from programming, production and broadcasting activities, membership and subscriptions, corporate underwriting, and revenue from grants to operate certain programs throughout the year, along with the general and administrative expenses incurred to operate the Company. All other revenue and expenses (primarily investment results, income from licensing of intangible assets, depreciation, and capital and endowment campaign revenue and expenses) are classified as non-operating activities. This basis of presentation reflects the Company's management philosophy throughout the year.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Connecticut Public Broadcasting, Inc. and its wholly-owned subsidiary. All significant intercompany accounts and transactions are eliminated in consolidation.

Financial statement presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The Company reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

<u>Unrestricted</u> - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted - Net assets whose use by the Company is subject to explicit donor-imposed stipulations or by operations of law that can be fulfilled by actions of the Company or that expire by the passage of time.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Company and stipulate the use of income and/or appreciation as temporarily restricted based on donor imposed stipulations or by passage of time.

Cash and cash equivalents
All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Investments
Investments in marketable equity securities, mutual funds, money market funds and other investment companies are stated at fair value determined by reference to published market data (share price or net asset value) at the statement of financial position date. Certain debt securities are valued based on inputs which include benchmark yields, broker/dealer quotes, recently executed transactions and/or bond spreads which incorporate credit risk. Investment income (including realized gains and losses on investments, interest and dividends) is included in unrestricted income unless the donor or law restricts the income or loss.

Allowances for receivables
Allowances for accounts receivable are determined by management based on assessment of their collectability. Management considers past history, current economic conditions and overall viability of the third party. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on the invoice date.

Property, equipment and leasehold improvements
The Company capitalizes all expenditures for property and equipment in excess of $500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives. Amortization of leasehold improvements is computed using straight line method over the shorter of useful life or the remaining lease term. Estimated lives for financial reporting purposes are as follows:

Asset	Estimated Lives
Building	30 years
Equipment	3 - 10 years
Leasehold improvements	5 years

Primarily all depreciation and amortization expense is associated with assets necessary to operate program services. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Underwriting fees and production costs
Revenues from underwriting fees and related production costs are recognized in operations over the term of the related underwriting contract. Production costs incurred for projects still in development at year-end are presented as an asset in the consolidated statements of financial position, and underwriting revenue received before the earning process is complete is presented as deferred revenue in the consolidated statements of financial position.

Subscription and membership income
The Company recognizes subscription and membership income on the date the individual membership gift is received.

Income from licensing of intangible assets
The Company recognizes income from licensing of intangible assets over the life of each respective agreement on a straight-line basis.

Donated personal services of volunteers
Donated personal services of volunteers who possess special skills and meet the required criteria under accounting standards are recorded as revenue and expense in the accompanying consolidated financial statements at their estimated fair value based on standard valuation rates and job classifications found at the website developed by Independent Sector.

All other donated services from volunteers for various programs have not been recognized in the accompanying consolidated statements of activities because the criteria for recognition of such volunteer effort have not been satisfied in accordance with the standards.

Contributed programming and production
In-kind contributions of services, rental of equipment and office space, programs, fundraising support and other similar services are recorded as revenue and expense in the accompanying consolidated financial statements at their estimated fair value based on discounts provided and documented by independent third-party vendors.

Contributions, donor restricted gifts and restricted grants
For financial statement purposes, the Company distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted activities. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as release of restricted assets.

Contributions, including pledges from government agencies that are restricted for capital additions of property and equipment, are recognized as temporarily restricted revenues when received. As expenditures are made, revenues are reclassified to unrestricted.

Unconditional promises to give are recorded as contributions when the promises are received.

Income taxes
The Internal Revenue Service has ruled that the Company is exempt from income taxes on related income under the applicable section of the Internal Revenue Code (the "IRC"). Once qualified, the Company is required to operate in conformity with the IRC to maintain its tax-exempt status. The Company is not aware of any course of action or series of events that have occurred that might adversely affect the Company's tax-exempt status.

The Company has no unrecognized tax benefits at June 30, 2014 and 2013. The Company's Federal and state information returns prior to fiscal year 2011 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Company had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the consolidated statements of financial position.

At June 30, 2014, MediaVision Productions, Inc. has available Federal net operating loss carryforwards of approximately $332,000 expiring through 2028, and available state operating loss carryforwards of approximately $64,500 expiring through 2028. Deferred tax assets aggregated $74,655 and $78,223 at June 30, 2014 and 2013, respectively, all of which have been offset by a valuation allowance. As a result of the utilization of net operating loss carryforwards, there is no provision for current income taxes in 2014 or 2013. In addition, as a result of the decrease in the valuation allowance of $3,568 and $17,209 during 2014 and 2013, respectively, there is no provision for deferred income taxes.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The Company has evaluated subsequent events through September 5, 2014, which is the date the consolidated financial statements were available to be issued.

Note 2 - Investments / fair value measurements

The Company values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. If an asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The Company recognizes transfers of assets into and out of levels monthly, as of the date an event or change in circumstance causes the transfer.

Financial assets carried at fair value at June 30, 2014 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Mutual funds - world allocation	$ 2,515,469	-	-	$ 2,515,469
Mutual funds - world bond	272,610	-	-	272,610
Mutual funds - fixed income	81,880	-	-	81,880
Mutual funds - equities:				
Foreign	6,081,201	-	-	6,081,201
Large blend	3,964,734	-	-	3,964,734
Large value	1,919,289	-	-	1,919,289
Large growth	1,850,529	-	-	1,850,529
Mid-cap	1,503,164	-	-	1,503,164
Global real estate	737,706	-	-	737,706
Natural resources	535,682	-	-	535,682
Commodity	409,725	-	-	409,725
Mutual funds - corporate bonds:				
Intermediate-term bond	4,322,363	-	-	4,322,363
World bond	1,959,480	-	-	1,959,480
Inflation-protected bond	188,549	-	-	188,549
Taxable fixed income funds	930,761	-	-	930,761
Bonds	-	$ 25,141	-	25,141
Money market funds	-	1,382,089	-	1,382,089
Multi-asset fund (A)	3,365,086	-	-	3,365,086
	$ 30,638,228	$ 1,407,230	$ -	$32,045,458

Financial assets carried at fair value at June 30, 2013 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Mutual funds - world allocation	$ 2,206,783	-	-	$ 2,206,783
Mutual funds - world bond	269,147	-	-	269,147
Mutual funds - fixed income	79,382	-	-	79,382
Mutual funds - equities:				
Foreign	5,369,043	-	-	5,369,043
Large blend	3,183,282	-	-	3,183,282
Large value	1,577,773	-	-	1,577,773
Large growth	1,556,672	-	-	1,556,672
Mid-cap	1,199,314	-	-	1,199,314
Global real estate	649,200	-	-	649,200
Natural resources	405,019	-	-	405,019
Commodity	379,368	-	-	379,368

	Level 1	Level 2	Level 3	Total
Mutual funds - corporate bonds:				
Intermediate-term bond	$ 3,871,320	-	-	$ 3,871,320
World bond	1,696,145	-	-	1,696,145
Inflation-protected bond	183,372	-	-	183,372
Taxable fixed income funds	1,161,687	-	-	1,161,687
Bonds	-	$ 25,361	-	25,361
Money market funds	-	3,663,518	-	3,663,518
Multi-asset fund (A)	2,505,336	-	-	2,505,336
	$26,292,843	$ 3,688,879	$ -	$29,981,722

(A) The multi-asset fund allows investors to access multiple asset classes and strategies. The fund engages independent money managers to manage a portion of the fund's assets. In addition, the fund invests in exchange-trended funds, open-end mutual funds and private investment funds, subject to the limits of the Investment Company Act of 1940.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds and taxable fixed income funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Multi-asset funds: The fund invests in exchange-trended funds, open-end mutual funds and private investment funds, subject to the limits of the Investment Company Act of 1940. These funds are required to publish their daily NAV and to transact at that price.

Money market: Valued using significant observable inputs, particularly dealer market prices for comparable investments as of the valuation date.

The following summarizes the fair value of investments as presented in the financial statements as of June 30, 2014 and 2013. The composition of investments held for operating and endowment are as follows:

	June 30,	
	2014	2013
Mutual funds	$ 26,826,781	$ 23,349,598
Multi-asset fund	3,365,086	2,505,336
Cash and money market accounts	924,319	1,607,330
	$ 31,116,186	$ 27,462,264

The Company has investments held for property and equipment as follows:

	June 30,	
	2014	2013
Cash and money market accounts	$ 457,770	$ 2,056,188
Bonds	25,141	25,361
Mutual funds	446,361	437,909
	$ 929,272	$ 2,519,458

The composition of investment income is as follows:

	June 30,	
	2014	2013
Interest and dividends	$ 824,260	$ 395,870
Realized gains	378,123	160,050
Unrealized gains	1,604,704	966,098
Investment fees	(57,417)	(40,097)
	$ 2,749,670	$ 1,481,921

Other investments consist of investments in non-public entities whose fair value is not readily ascertainable and carried at cost. Investments carried at cost are reviewed for impairment annually. The carrying amount of investments carried at cost were $76,229 at both June 30, 2014 and 2013.

Note 3 - Temporarily and permanently restricted net assets

Temporarily restricted net assets of $1,729,969 and $2,001,704 at June 30, 2014 and 2013, respectively, are available for capital additions and programming services.

Permanently restricted net assets of $379,771 at both June 30, 2014 and 2013 are to be held in perpetuity, the income of which is used for temporarily restricted activities and expendable for capital additions and programming services.

Note 4 - Endowment

The Company's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Company has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") 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 stipulations to the contrary. As a result of this interpretation, the Company 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 Company in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Company and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Company
7. The investment policies of the Company

Endowment net asset composition by type of fund and changes in endowment net assets as of and for the year ended June 30, 2014 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	-	$ 274,390	$ 379,771	$ 654,161
Board-designated endowment funds	$29,752,896	-	-	29,752,896
Total funds	$29,752,896	$ 274,390	$ 379,771	$ 30,407,057

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 25,958,050	$ 192,909	$ 379,771	$ 26,530,730
Investment return:				
Interest and dividends, net of fees	695,495	19,824	-	715,319
Net appreciation (realized and unrealized)	2,958,182	61,657	-	3,019,839
Total investment return	3,653,677	81,481	-	3,735,158

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Additions to endowment	$ 1,440,611	$ -	$ -	$ 1,440,611
Appropriation of endowment assets for expenditure	(1,297,902)	-	-	(1,297,902)
Trust payments	(1,540)	-	-	(1,540)
Endowment net assets, end of year	$29,752,896	$ 274,390	$ 379,771	$ 30,407,057

Endowment net asset composition by type of fund and changes in endowment net assets as of and for the year ended June 30, 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	-	$ 192,909	$ 379,771	$ 572,680
Board-designated endowment funds	$25,958,050	-	-	25,958,050
Total funds	$25,958,050	$ 192,909	$ 379,771	$ 26,530,730

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 12,150,430	$ 132,930	$ 379,771	$ 12,663,131
Investment return:				
Interest and dividends, net of fees	329,560	12,848	-	342,408
Net appreciation (realized and unrealized)	807,171	47,131	-	854,302
Total investment return	1,136,731	59,979	-	1,196,710
Additions to endowment	13,879,950	-	-	13,879,950
Appropriation of endowment assets for expenditure	(1,207,521)	-	-	(1,207,521)
Trust payments	(1,540)	-	-	(1,540)
Endowment net assets, end of year	$ 25,958,050	$ 192,909	$ 379,771	$ 26,530,730

Spending policy and how the investment objectives relate to spending policy
The Company has an annual endowment spending policy that is specifically designed to assist in funding annual programming objectives and to preserve the value of the investment portfolio over time. In 2014 and 2013, the spending policy was 5% of the fair value of endowment assets as of June 30, 2013 and 2012. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, over the long term, the Company expects the current spending policy to allow its endowment to grow and maintain its value to support operations in the future.

To meet these objectives, the Company utilizes a total return investment approach which emphasizes total investment return, consisting of investment income and realized and unrealized gains or losses and, accordingly, invests in equities, fixed income and money market accounts. The annual spending distribution for operating purposes was $1,297,902 and $607,521 in fiscal years 2014 and 2013, respectively.

Note 5 - Debt and line of credit

Components of long-term debt were as follows:

	June 30,	
	2014	2013
Note payable to State of Connecticut	$ 187,500	$ 262,500
Ford Motor Credit	40,559	18,079
	228,059	280,579
Less current portion	82,030	85,626
	$ 146,029	$ 194,953

The note payable to the State of Connecticut bears interest at 7.00% and is due in semi-annual installments of $37,500, plus interest, through September 15, 2016.

The note payable to Ford Motor Credit bears interest at 6.24% and is due in monthly installments of $791 through June 2019.

Future principal payments of long-term debt are as follows:

Year Ending June 30,	Amount
2015	$ 82,030
2016	82,571
2017	45,612
2018	8,653
2019	9,193
	$ 228,059

The Company increased its operating line of credit (the "Line") to $1,500,000, which expires on November 27, 2015. The interest rate is a fluctuating rate per annum equal to either the EURODOLLAR rate plus 2.5% or the LIBOR rate plus 2.5. At June 30, 2014, the balance bears a 4.0% interest rate. The outstanding balance on the Line as of both June 30, 2014 and 2013 was $500,000.

The Company maintains a non-restoring construction line of credit of $1,856,157 which expires on June 30, 2015. The remaining balance available at June 30, 2014 is $415,000. Borrowings are to be used for capital additions. The interest rate is a fluctuating rate per annum equal to either the higher of Prime or LIBOR plus 275 basis points. At June 30, 2014, the balance bears a 4.0% interest rate. The outstanding balance on the Line as of June 30, 2014 and 2013 was $1,441,157 and $1,496,684, respectively.

Interest expense incurred on long-term debt and the operating line of credit was $46,114 and $52,780 in 2014 and 2013, respectively. Interest related to the non-restoring construction line of credit that has been capitalized and included in fixed assets was $64,482 and $13,264, in 2014 and 2013 respectively.

Note 6 - Leases

The Company leases certain operating facilities under noncancelable operating leases expiring at various times through November 2019. Future minimum annual rental payments for the five years subsequent to June 30, 2014 and thereafter are as follows:

Year Ending June 30,	Amount
2015	$ 467,310
2016	403,691
2017	391,111
2018	215,008
2019	198,494
Thereafter	99,581
	$ 1,775,195

Rental expense associated with leases was $500,347 and $469,296 for the years ended June 30, 2014 and 2013, respectively.

Note 7 - Retirement plans

The Company provides a defined contribution retirement plan for eligible employees who elect to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Company contributes an amount equal to employees' contributions up to a limit as determined annually by the Company. Retirement contributions charged to operations were $180,063 and $164,298 for the years ended June 30, 2014 and 2013, respectively.

In addition to the plan, the Company also provides two nonqualified deferred compensation plans for certain management personnel. Discretionary contributions of $44,291 and $43,866 were made to the plans for the years ended June 30, 2014 and 2013, respectively.

Note 8 - Liens

The National Telecommunications and Information Administration ("NTIA") provides funding to public broadcasting entities for the acquisition of equipment. NTIA retains a financial interest, as defined in the statute, in its pro rata share of the cost of the equipment for a period of ten years and must be notified upon disposition of the equipment. The Company did not receive any NTIA funds during the years ended June 30, 2014 and 2013.

Note 9 - Related party transactions

In the ordinary course of business, the Company conducts business with other organizations whose executives are members of the Company's Board of Trustees. Revenue transactions, including corporate underwriting revenue and other support, amounted to $626,454 and $695,003 for the years ended June 30, 2014 and 2013, respectively. Purchases and other services received amounted to $830,881 and $674,068 for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, included in the accounts receivable balance was $198,188 and $154,576, respectively. In addition, included in the accounts payable balance was $92,702 and $70,678 at June 30, 2014 and 2013, respectively.

Note 10 - Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. The Company maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits.

The Company's investments are in high quality marketable securities placed within a wide array of institutions with high credit ratings. This investment policy limits the Company's exposure to concentrations of credit risk. Concentrations of credit risk with respect to accounts receivable are limited to contractual agreements with various underwriters.

The Company evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Note 11 - Contingencies

The Company is subject to various claims and legal proceedings arising in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or change in net assets of the Company.

Note 12 - Option and funding agreements

On June 14, 2013, the Company entered into a funding agreement and an option agreement with an unrelated third party that will result in the relinquishment of its Bridgeport, Connecticut television station license. Under the funding agreement, the Company provides the third party a first priority interest in certain proceeds provided from a broadcast incentive auction to be conducted by the Federal Communications Commission (“FCC”) under Section 6403 of the Middle Class Tax Relief and Job Creation Act of 2012 or compels the Company to assign the license to a qualified third party if the auction is not successful.

The third party has provided the Company with upfront funding as part of the agreements, which until the options have been exercised, can be used as endowment funds subject to certain restrictions. The Company is also permitted to pay certain transaction costs from the upfront funding. The upfront funds will be required to be repaid if there is an event of default by the Company. The amount of repayment is determined in accordance with the provisions of the agreements.

At June 30, 2014 and 2013, the upfront funding, net of transaction costs, has been recorded as deferred revenue and will be recognized as revenue when the FCC auction is completed or when the station license is assigned to the third party. The FCC auction is expected to take place in the 2015/2016 timeframe. The Company may be entitled to additional funds depending upon the success of the auction or the assignment of the license to a third party if the auction is not successful.

Connecticut Public Broadcasting, Inc.

Consolidating Statement of Financial Position
June 30, 2014

Assets	Connecticut Public Broadcasting, Inc.	MediaVision Productions, Inc.	Total	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	$ 382,717	$ 903	$ 383,620	-	$ 383,620
Investments	709,129	-	709,129	-	709,129
Accounts receivable, net	3,808,961	13,400	3,822,361	-	3,822,361
Intercompany receivable	676,749	-	676,749	$ (676,749)	-
Production costs	473,402	-	473,402	-	473,402
Prepaid expenses and deposits	61,521	-	61,521	-	61,521
	6,112,479	14,303	6,126,782	(676,749)	5,450,033
Other assets:					
Investment in MediaVision Productions, Inc.	(665,696)	-	(665,696)	665,696	-
Other receivables	58,449	-	58,449	-	58,449
Investments held for property and equipment	929,272	-	929,272	-	929,272
Investments - endowment	30,407,057	-	30,407,057	-	30,407,057
Other investments	76,229	-	76,229	-	76,229
	30,805,311	-	30,805,311	665,696	31,471,007
Property, equipment and leasehold improvements:					
Land and improvements	764,123	-	764,123	-	764,123
Building	13,838,496	-	13,838,496	-	13,838,496
Equipment	32,169,548	-	32,169,548	-	32,169,548
Leasehold improvements	155,720	-	155,720	-	155,720
Construction in progress	148,964	-	148,964	-	148,964
	47,076,851	-	47,076,851	-	47,076,851
Accumulated depreciation and amortization	(32,333,141)	-	(32,333,141)	-	(32,333,141)
	14,743,710	-	14,743,710	-	14,743,710
Total assets	$ 51,661,500	$ 14,303	$ 51,675,803	$ (11,053)	$51,664,750

Connecticut Public Broadcasting, Inc.

Consolidating Statement of Financial Position
June 30, 2014

Liabiilties and Net Assets	Connecticut Public Broadcasting, Inc.	MediaVision Productions, Inc.	Total	Eliminations	Consolidated
Current liabilities:					
Line of credit	$ 1,941,157	-	$ 1,941,157	-	$ 1,941,157
Current maturities of long-term debt	82,030	-	82,030	-	82,030
Accounts payable	3,418,941	$ 250	3,419,191	-	3,419,191
Intercompany payable	-	676,749	676,749	$ (676,749)	-
Salaries, wages and payroll taxes	607,388	-	607,388	-	607,388
Deferred revenue	765,063	3,000	768,063	-	768,063
	6,814,579	679,999	7,494,578	(676,749)	6,817,829
Long-term liabilities:					
Long-term debt, less current maturities	146,029	-	146,029	-	146,029
Deferred revenue from license and funding agreements	13,154,864	-	13,154,864	-	13,154,864
	13,300,893	-	13,300,893	-	13,300,893
Total liabilities	20,115,472	679,999	20,795,471	(676,749)	20,118,722
Contingencies					
Net assets/(deficit):					
Common stock	-	1,000	1,000	(1,000)	-
(Deficit)	-	(666,696)	(666,696)	666,696	-
Unrestricted	29,436,288		29,436,288		29,436,288
Temporarily restricted	1,729,969	-	1,729,969	-	1,729,969
Permanently restricted	379,771	-	379,771	-	379,771
Total net assets	31,546,028	(665,696)	30,880,332	665,696	31,546,028
Total liabilities and net assets (deficit)	$ 51,661,500	$ 14,303	$ 51,675,803	$ (11,053)	$ 51,664,750

See Independent Auditor's Report.

Connecticut Public Broadcasting, Inc.

Consolidating Statement of Activities - Unrestricted
Year Ended June 30, 2014

	Connecticut Public Broadcasting, Inc.	MediaVision Productions, Inc.	Total	Eliminations	Consolidated
Revenues:					
Subscription and membership income	$ 5,588,375	-	$ 5,588,375	-	$ 5,588,375
Planned gifts and bequests	84,811	-	84,811	-	84,811
Auctions and special events	101,710	-	101,710	-	101,710
Corporation for Public Broadcasting	2,488,871	-	2,488,871	-	2,488,871
Underwriting support	7,769,611	-	7,769,611	-	7,769,611
Annual spending distribution	1,297,902	-	1,297,902	-	1,297,902
Contributed in-kind support	158,939	-	158,939	-	158,939
Donated personal services of volunteers	15,447	-	15,447	-	15,447
Nonbroadcasting services	165,603	-	165,603	-	165,603
Miscellaneous	116,875	-	116,875	-	116,875
Video services	-	$ 35,450	35,450	-	35,450
Total revenues	17,788,144	35,450	17,823,594	-	17,823,594
Expenses:					
Program services:					
Programming and production	9,212,599	-	9,212,599	-	9,212,599
Broadcasting	1,801,704	-	1,801,704	-	1,801,704
Contributed in-kind support	147,728	-	147,728	-	147,728
Program information	580,724	-	580,724	-	580,724
	11,742,755	-	11,742,755	-	11,742,755
Supporting services:					
Fundraising and membership development:					
Membership development	2,822,517	-	2,822,517	-	2,822,517
Other fundraising expenses	730,815	-	730,815	-	730,815
Contributed in-kind support	11,211	-	11,211	-	11,211
Donated personal services of volunteers	15,447	-	15,447	-	15,447
Management and general	2,332,607	-	2,332,607	-	2,332,607
	5,912,597	-	5,912,597	-	5,912,597
Video services:					
Cost of production	-	7,267	7,267	-	7,267
General and administrative	-	13,116	13,116	-	13,116
	-	20,383	20,383	-	20,383
Total expenses	17,655,352	20,383	17,675,735	-	17,675,735
Equity in net income of consolidated subsidiary	15,067	-	15,067	$ (15,067)	-
Change in unrestricted net assets before other activities	147,859	15,067	162,926	(15,067)	147,859
Other activities:					
Annual spending distribution	(1,297,902)	-	(1,297,902)	-	(1,297,902)
Depreciation and amortization	(1,317,948)	-	(1,317,948)	-	(1,317,948)
Gain on sale of property and equipment	14,000	-	14,000	-	14,000
Interest expense	(109,028)	-	(109,028)	-	(109,028)
Investment income, net	2,650,106	-	2,650,106	-	2,650,106
Income from licensing of intangible assets	1,954,260	-	1,954,260	-	1,954,260
Release of restricted assets for capital additions	1,207,387	-	1,207,387	-	1,207,387
	3,100,875	-	3,100,875	-	3,100,875
Change in unrestricted net assets / (deficit)	3,248,734	15,067	3,263,801	(15,067)	3,248,734
Unrestricted net assets / (deficit), beginning of year	26,187,554	(681,763)	25,505,791	681,763	26,187,554
Unrestricted net assets / (deficit), end of year	$ 29,436,288	$ (666,696)	$ 28,769,592	$ 666,696	$ 29,436,288

See Independent Auditor's Report.