# Rocky Mountain Public Media, Inc.

**Consolidated Financial Report**
**with Supplemental Information**
**June 30, 2020**

# Contents

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## Independent Auditor's Report

To the Board of Directors
Rocky Mountain Public Media, Inc.

We have audited the accompanying consolidated financial statements of Rocky Mountain Public Media, Inc. and its subsidiaries (the "Network"), which comprise the consolidated statement of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Rocky Mountain Public Media, Inc. and its subsidiaries as of June 30, 2020 and 2019 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease known as COVID-19 a pandemic. The impact of the pandemic on the Network is described in Note 2 to the consolidated financial statements. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

December 17, 2020

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# Consolidated Statement of Financial Position

**June 30, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 6,419,116 | $ 8,397,727 |
| Restricted cash - Capital campaign (Note 4) | 1,289,867 | 1,620,927 |
| Receivables - Net of allowances: | | |
| Program underwriting and fees | 922,250 | 869,522 |
| Contributions, grants, and other | 1,648,686 | 1,892,212 |
| Capital campaign pledges receivable (Notes 4 and 5) | 2,615,044 | 2,623,836 |
| Related party receivable (Note 16) | 227,580 | - |
| Total receivables - Net of allowances | 5,413,560 | 5,385,570 |
| Program inventory | 101,419 | 108,536 |
| Investments (Notes 6 and 7) | 9,951,024 | 10,160,018 |
| Investments - Capital campaign (Notes 6 and 7) | 5,550,611 | 5,483,727 |
| Operating license | 53,017 | 53,017 |
| Prepaid expenses and other assets | 283,042 | 288,817 |
| Loans and notes receivable (Notes 4 and 8) | 6,690,000 | 6,690,000 |
| Investments in subsidiaries | 23,503 | 23,503 |
| Beneficial interest in trusts (Note 7) | 133,376 | 144,886 |
| Property and equipment - Net (Note 9) | 39,874,776 | 22,109,725 |
| Total assets | **$ 75,783,311** | **$ 60,466,453** |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable | $ 3,264,830 | $ 4,197,832 |
| Accrued expenses | 453,200 | 348,224 |
| Deferred revenue | 120,953 | 99,300 |
| Deferred gain on sale and leaseback (Note 4) | 265,625 | 515,625 |
| Notes payable - Net (Note 10) | 20,941,401 | 8,478,225 |
| Total liabilities | 25,046,009 | 13,639,206 |
| **Net Assets** | | |
| Without donor restrictions (Note 11) | 44,790,120 | 35,653,738 |
| With donor restrictions (Note 11) | 5,947,182 | 11,173,509 |
| Total net assets | 50,737,302 | 46,827,247 |
| Total liabilities and net assets | **$ 75,783,311** | **$ 60,466,453** |

See notes to consolidated financial statements.

# Consolidated Statement of Activities and Changes in Net Assets

## Years Ended June 30, 2020 and 2019

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **Revenue, Gains, and Other Support** | | | | | | |
| Membership | $ 10,461,174 | $ - | $ 10,461,174 | $ 9,413,908 | $ - | $ 9,413,908 |
| Capital campaign | - | 293,289 | 293,289 | - | 1,609,807 | 1,609,807 |
| Underwriting | 1,552,426 | - | 1,552,426 | 1,319,956 | - | 1,319,956 |
| Bequests | 1,067,756 | - | 1,067,756 | 400,171 | - | 400,171 |
| Other gifts | 349,805 | 1,967 | 351,772 | 315,011 | 32,552 | 347,563 |
| Community service grant | 2,292,753 | - | 2,292,753 | 1,841,212 | - | 1,841,212 |
| Other grants | 3,022,637 | - | 3,022,637 | 5,029,241 | - | 5,029,241 |
| In-kind donations | 89,469 | - | 89,469 | 192,961 | - | 192,961 |
| Program service revenue | 1,730 | - | 1,730 | 17,419 | - | 17,419 |
| Service fees and rental | 435,000 | - | 435,000 | 265,749 | - | 265,749 |
| Change in value of split-interest agreements | (11,510) | - | (11,510) | - | - | - |
| Other | 86,346 | - | 86,346 | 118,611 | - | 118,611 |
| Net assets released from restrictions | 5,521,583 | (5,521,583) | - | 271,618 | (271,618) | - |
| Total revenue, gains, and other support | 24,869,169 | (5,226,327) | 19,642,842 | 19,185,857 | 1,370,741 | 20,556,598 |
| **Expenses** | | | | | | |
| Program services: | | | | | | |
| Programming and production | 5,638,303 | - | 5,638,303 | 5,216,121 | - | 5,216,121 |
| Broadcasting | 2,833,350 | - | 2,833,350 | 3,306,483 | - | 3,306,483 |
| Public information | 791,036 | - | 791,036 | 828,591 | - | 828,591 |
| Total program services | 9,262,689 | - | 9,262,689 | 9,351,195 | - | 9,351,195 |
| Support services: | | | | | | |
| Management and general | 2,796,032 | - | 2,796,032 | 2,443,501 | - | 2,443,501 |
| Fundraising and development | 3,726,972 | - | 3,726,972 | 4,012,076 | - | 4,012,076 |
| Underwriting | 730,639 | - | 730,639 | 716,940 | - | 716,940 |
| Building and capital campaign | 8,375 | - | 8,375 | 7,215 | - | 7,215 |
| Total support services | 7,262,018 | - | 7,262,018 | 7,179,732 | - | 7,179,732 |
| Total expenses | 16,524,707 | - | 16,524,707 | 16,530,927 | - | 16,530,927 |
| **Increase (Decrease) in Net Assets** - Before nonoperating (expense) income | 8,344,462 | (5,226,327) | 3,118,135 | 2,654,930 | 1,370,741 | 4,025,671 |
| **Nonoperating (Expense) Income** | | | | | | |
| Depreciation | (477,379) | - | (477,379) | (540,282) | - | (540,282) |
| Investment (loss) income - Net (Note 6) | (39,661) | - | (39,661) | 601,574 | - | 601,574 |
| Gain on sale of property and equipment | 1,308,960 | - | 1,308,960 | 1,870,582 | - | 1,870,582 |
| **Increase (Decrease) in Net Assets** | 9,136,382 | (5,226,327) | 3,910,055 | 4,586,804 | 1,370,741 | 5,957,545 |
| **Net Assets** - Beginning of year | 35,653,738 | 11,173,509 | 46,827,247 | 31,066,934 | 9,802,768 | 40,869,702 |
| **Net Assets** - End of year | **$ 44,790,120** | **$ 5,947,182** | **$ 50,737,302** | **$ 35,653,738** | **$ 11,173,509** | **$ 46,827,247** |

# Consolidated Statement of Functional Expenses

**Year Ended June 30, 2020**

| | Program Services | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|
| | Programming and Production | Broadcasting | Public Information | Management and General | Fundraising and Development | Underwriting | Building and Capital Campaign | Total |
| Personnel and payroll taxes | $ 2,314,443 | $ 1,045,441 | $ 613,544 | $ 1,180,287 | $ 935,180 | $ 638,436 | $ - | $ 6,727,331 |
| Program acquisitions | 2,551,771 | 20,280 | - | - | - | - | - | 2,572,051 |
| Professional services | 444,959 | 618,735 | 10,092 | 649,678 | 870,161 | 10,285 | - | 2,603,910 |
| Mailing and shipping | 1,661 | 13,798 | 2,875 | 4,921 | 1,015,851 | - | - | 1,039,106 |
| Printing and duplicating | 989 | 42,721 | 5,816 | 4,574 | 3,692 | - | - | 57,792 |
| Building, distribution, and software | 11,643 | 660,324 | 311 | 267,148 | 975 | 650 | - | 941,051 |
| Building rent | 175,814 | 32,210 | 1,017 | 91,308 | 19,857 | 7,688 | - | 327,894 |
| Subscriptions, dues, and licenses | 22,540 | 183,441 | 750 | 79,578 | 8,568 | 65 | - | 294,942 |
| Premiums, advertising, and promotions | 51,599 | 47,498 | 122,834 | 20,233 | 469,180 | 48,878 | - | 760,222 |
| Supplies and videotapes | 17,768 | 59,219 | 4,150 | 12,761 | 7,146 | 186 | - | 101,230 |
| Travel, parking, and mileage | 29,481 | 15,848 | 4,007 | 9,845 | 19,367 | 5,691 | - | 84,239 |
| Insurance | 2,205 | - | - | 175,231 | - | - | - | 177,436 |
| Telephone and connectivity | - | 78 | - | 432 | 48 | - | - | 558 |
| Interest and bank fees | - | - | - | 198,654 | 266,326 | - | 8,375 | 473,355 |
| Trainings and meetings | 13,147 | 18,319 | 25,640 | 57,706 | 110,621 | 4,378 | - | 229,811 |
| Repairs and maintenance | 233 | 73,457 | - | 43,676 | - | - | - | 117,366 |
| Bad debt | 50 | 1,981 | - | - | - | 14,382 | - | 16,413 |
| Total expenses before depreciation | 5,638,303 | 2,833,350 | 791,036 | 2,796,032 | 3,726,972 | 730,639 | 8,375 | 16,524,707 |
| Depreciation | 80,962 | 330,941 | - | 38,165 | 26,034 | 1,277 | - | 477,379 |
| Total functional expenses | **$ 5,719,265** | **$ 3,164,291** | **$ 791,036** | **$ 2,834,197** | **$ 3,753,006** | **$ 731,916** | **$ 8,375** | **$ 17,002,086** |

See notes to consolidated financial statements.

# Consolidated Statement of Functional Expenses

**Year Ended June 30, 2019**

| | Program Services | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|
| | Programming and Production | Broadcasting | Public Information | Management and General | Fundraising and Development | Underwriting | Building and Capital Campaign | Total |
| Personnel and payroll taxes | $ 2,025,677 | $ 1,024,761 | $ 570,405 | $ 1,054,134 | $ 973,717 | $ 456,367 | $ - | $ 6,105,061 |
| Program acquisitions | 2,182,484 | 15,667 | - | - | - | - | - | 2,198,151 |
| Professional services | 565,904 | 1,062,253 | 93,293 | 402,582 | 1,070,115 | 30,424 | 7,215 | 3,231,786 |
| Mailing and shipping | 2,486 | 4,064 | 393 | 14,718 | 926,075 | 287 | - | 948,023 |
| Printing and duplicating | 1,251 | 47,538 | 5,587 | 12,923 | 1,387 | 71 | - | 68,757 |
| Building, distribution, and software | 9,327 | 726,754 | 150 | 279,672 | 1,644 | 600 | - | 1,018,147 |
| Building rent | 175,195 | 32,097 | 1,013 | 85,491 | 19,787 | 7,661 | - | 321,244 |
| Subscriptions, dues, and licenses | 47,463 | 141,289 | 508 | 101,428 | 16,259 | 198 | - | 307,145 |
| Premiums, advertising, and promotions | 90,689 | 42,847 | 103,113 | 17,528 | 541,513 | 40,968 | - | 836,658 |
| Supplies and videotapes | 25,616 | 52,011 | 2,301 | 18,529 | 10,227 | 200 | - | 108,884 |
| Travel, parking, and mileage | 57,604 | 34,132 | 14,580 | 35,804 | 19,492 | 6,025 | - | 167,637 |
| Insurance | 1,382 | - | - | 201,485 | - | - | - | 202,867 |
| Interest and bank fees | - | 300 | - | 127,296 | 261,985 | - | - | 389,581 |
| Training and meetings | 23,205 | 36,857 | 37,248 | 87,983 | 159,607 | 27,237 | - | 372,137 |
| Repairs and maintenance | 6,696 | 83,851 | - | 3,928 | - | - | - | 94,475 |
| Bad debt | 1,142 | 2,062 | - | - | 10,268 | 146,902 | - | 160,374 |
| Total expenses before depreciation | 5,216,121 | 3,306,483 | 828,591 | 2,443,501 | 4,012,076 | 716,940 | 7,215 | 16,530,927 |
| Depreciation | 96,193 | 369,956 | - | 39,398 | 33,459 | 1,276 | - | 540,282 |
| Total functional expenses | **$ 5,312,314** | **$ 3,676,439** | **$ 828,591** | **$ 2,482,899** | **$ 4,045,535** | **$ 718,216** | **$ 7,215** | **$ 17,071,209** |

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

## Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Increase in net assets | $ 3,910,055 | $ 5,957,545 |
| Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities: | | |
| Depreciation | 477,379 | 540,282 |
| Gain on disposal of property and equipment | (1,058,960) | (1,620,582) |
| Gain on sale and leaseback transaction | (250,000) | (250,000) |
| Contributions for capital campaign | (293,289) | (1,609,807) |
| Investment loss (income) - Net | 39,661 | (601,574) |
| Change in allowance for doubtful accounts | 14,382 | (2,462) |
| Contributions of beneficial interests in trusts | - | (144,886) |
| Change in value of split-interest agreements | 11,510 | - |
| Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash: | | |
| Receivables | (42,372) | 971,969 |
| Program inventory | 7,117 | (29,635) |
| Prepaid expenses and other assets | 5,775 | (66,510) |
| Accounts payable | 46,363 | (538,822) |
| Accrued expenses | 104,976 | (14,062) |
| Deferred revenue | 21,653 | (41,496) |
| Net cash, cash equivalents, and restricted cash provided by operating activities | 2,994,250 | 2,549,960 |
| **Cash Flows from Investing Activities** | | |
| Purchase of property and equipment | (20,246,835) | (7,355,487) |
| Proceeds from disposition of property and equipment | 2,084,000 | 5,334,702 |
| Purchases of investments | (759,737) | (1,450,232) |
| Proceeds from sales and maturities of investments | 862,186 | 4,064,184 |
| Payments on notes receivable | - | (6,690,000) |
| Acquisition of noncontrolling interest | - | (23,503) |
| Net cash, cash equivalents, and restricted cash used in investing activities | (18,060,386) | (6,120,336) |
| **Cash Flows from Financing Activities** | | |
| Debt issuance costs | - | (880,002) |
| Payments on notes payable | (131,727) | (8,621) |
| Proceeds from notes payable | 12,594,903 | 8,049,859 |
| Contributions for capital campaign | 293,289 | 1,609,807 |
| Net cash, cash equivalents, and restricted cash provided by financing activities | 12,756,465 | 8,771,043 |
| **Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash** | (2,309,671) | 5,200,667 |
| **Cash, Cash Equivalents, and Restricted Cash** - Beginning of year | 10,018,654 | 4,817,987 |
| **Cash, Cash Equivalents, and Restricted Cash** - End of year | **$ 7,708,983** | **$ 10,018,654** |
| **Consolidated Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash** | | |
| Cash and cash equivalents | $ 6,419,116 | $ 8,397,727 |
| Restricted cash - Capital campaign | 1,289,867 | 1,620,927 |
| Total cash, cash equivalents, and restricted cash | **$ 7,708,983** | **$ 10,018,654** |
| **Supplemental Cash Flow Information** - Interest paid | $ 204,434 | $ 22,639 |
| **Significant Noncash Transactions** - Property and equipment purchases included in accounts payable | $ 2,724,786 | $ 3,704,151 |

## Note 1 - Nature of Business

Rocky Mountain Public Media, Inc. (the "Network"), a nonprofit corporation, was founded in 1956 to manage Denver Public Schools' educational television station, KRMA-TV. In 1987, the Network spun off from the school district and obtained a community license from the FCC to operate KRMA-TV as a public broadcasting station under the name Rocky Mountain Public Broadcasting Network, Inc. In 1998, the Network began broadcast operations from Grand Junction, Colorado as KRMJ in partnership with Colorado Mesa University; in 2001, the Network began broadcasting from Pueblo, Colorado as KTSC after acquiring the station from Colorado State University in Pueblo; in 2005, the Network began broadcasting from Durango, Colorado as KRMU; and, in 2007, the Network began broadcasting from Steamboat Springs, Colorado as KRMZ, one of the first digital-only television stations in the country. On September 22, 2016, the articles of incorporation were amended, and the Network's name was changed to Rocky Mountain Public Media, Inc.

On January 1, 2013, the Network merged with I-News in order to increase the news coverage provided to Coloradans. Seven months later, the Network merged with KUVO/Denver Educational Broadcasting and began public radio broadcasting. Each of the acquisitions was strategic in increasing the Network's ability to enrich the lives of Coloradans through engaging and essential programs, services, and community partnerships that inform, enlighten, and entertain. By increasing reach digitally and terrestrially, the Network continues its commitment to education, arts, culture, public service journalism, and educational content available on more platforms than ever before. The Network airs seven hours of award-winning quality programming for children every day and reaches 98 percent of Colorado homes with a free, over-the-air signal.

The Network expanded its broadcasting through the purchase of a new translator to broadcast The Drop, an urban alternative FM radio station, in the metro-Denver area. The purchase was executed on November 25, 2020.

In addition to providing engaging and educational content on a variety of platforms, the Network operates regional locations in Colorado Springs, Pueblo, and Grand Junction to bring civic dialogue to life through community screenings of thought-provoking dialogue and family-centered Science Nights and the Kids Fun Fest, and it partners with other nonprofits to provide educational content to the community.

## Note 2 - Significant Accounting Policies

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Network; Rocky Mountain PBS, a separate nonprofit public television organization that includes I-News, its wholly owned subsidiary; RMPB Ventures, Inc., a separate for-profit organization established in June 1997; and KUVO, LLC, a separate nonprofit public radio organization. There was no significant operating activity in RMPB Ventures, Inc. during the years ended June 30, 2020 or 2019.

The financial statements also include the accounts of the Network's wholly owned subsidiary, Rocky Mountain Public Media QALICB, Inc. (RMPM QALICB) since its incorporation on September 21, 2018 as a Colorado nonprofit corporation and a Section 509(a)(3) supporting organization of the Network, including its activity starting on or about October 30, 2018 as part of the New Markets Tax Credit financing for the Buell Public Media Center, as discussed in Note 4.

All material intercompany accounts and transactions have been eliminated in consolidation.

***Basis of Presentation***

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and pursuant to *Public Telecommunications Audit Guide and Requirements*, published in May 1989 by the Corporation for Public Broadcasting, and significant accounting policies conform to the *Supplemental Guide*, published in 2005 by the Corporation for Public Broadcasting.

## Note 2 - Significant Accounting Policies (Continued)

***Classification of Net Assets***

Net assets of the Network are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Network.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Network or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***Cash Equivalents***

The Network considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Network continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Financial instruments that potentially subject the Network to concentrations of credit risk consist principally of cash in excess of FDIC limits, temporary cash investments, investment securities, programming, underwriting, fees receivable, and pledges receivable.

At June 30, 2020 and 2019, amounts included in prepaid expenses and other assets related to cash that are held in escrow to be used for building maintenance and shared antenna use amounted to $100,790 and $97,323, respectively.

***Restricted Cash***

The Network maintains a separate cash account for amounts received related to the capital campaign throughout the construction. As of June 30, 2020 and 2019, the balance of this account was $1,289,867 and $1,620,927, respectively.

***Investments***

Investments in limited liability companies (LLCs) and limited partnerships (LPs) in which the Network has more than a minor interest (generally 3 to 5 percent) are accounted for using the equity method. Under the equity method, the investment is carried at cost, adjusted for the Network’s proportionate share of undistributed earnings or losses. Impairment losses due to a decline in the value of the investment that is other than temporary are recognized when incurred. No impairment losses were recognized for 2020.

Investment securities are classified based on the Network’s intent with respect to holding securities.

Debt and equity securities are purchased and held principally for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses included in earnings.

## Note 2 - Significant Accounting Policies (Continued)

***Contributions, Memberships, Grants, and Other Gift Revenue and Receivable***

Unconditional promises to give cash and other assets to the Network are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which they are received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

The Network recorded an allowance on the contributions, grants, and other receivables balance of $230,266 and $314,347 at June 30, 2020 and 2019, respectively. All these contributions, grants, and other receivables are expected to be collected within one year.

The Network began incurring costs and receiving pledges in fiscal year 2017 relating to the capital campaign. Multiyear capital campaign pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

***Program Underwriting and Related Receivables***

Program underwriting is recorded from signed agreements. Underwriting support of programs is recognized over time as the performance obligation is satisfied, which is measured as the applicable broadcasts occur. Underwriting is billed once all broadcasts have been aired. Underwriting support received in advance of broadcast is reported as deferred revenue.

Accounts receivable are recorded for the full amount of the signed underwriting agreement. The allowance for doubtful accounts is based on past experience and analysis of the collectibility of current accounts receivable. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms. The allowance at June 30, 2020 and 2019 was $30,081 and $15,699, respectively.

***Program Inventory***

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

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

## Note 2 - Significant Accounting Policies (Continued)

***Property and Equipment***

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives ranging from 2 to 30 years. The Network capitalizes all expenditures for property and equipment in excess of $5,000 and with a useful life exceeding one year. Costs of maintenance and repairs are charged to expense when incurred. Donated fixed assets are also capitalized at fair value at the date of donation.

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

***Long-lived Assets***

Acquired long-lived assets are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. The Network looks primarily to the undiscounted future cash flows in its assessment of whether long-lived assets have been impaired. There were no impairments at June 30, 2020 and 2019.

***Deferred Revenue***

Deferred revenue consists of funds received from underwriters for programs that will air in a future period and for funds received from ticket holders for events that will occur in a future period. The revenue will be recognized in applicable future periods when the services are provided and the related expenses are incurred.

***In-kind and Donated Services***

Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value at the date of donation. In-kind goods and services were $89,469 and $192,961 for the years ended June 30, 2020 and 2019, respectively.

A number of volunteers have donated time to the Network. As of June 30, 2020 and 2019, approximately 11,200 and 15,000, respectively, volunteer hours were received. These values have not been included in the consolidated financial statements, as they do not meet the requirements to be recorded under accounting principles generally accepted in the United States of America.

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the accompanying consolidated financial statements. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various program and support services based on estimates determined by management. Most expenses were directly assigned by management to the various functions, but personnel and payroll taxes were allocated based on estimated time and effort, and building rent and depreciation were allocated based on estimated square footage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Advertising Expense***

The Network uses advertising to promote its programs among the audiences it serves. Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2020 and 2019 was $114,058 and $173,223, respectively.

## Note 2 - Significant Accounting Policies (Continued)

***Income Taxes***

The Network is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

RMPB Ventures, Inc. is a for-profit corporation and is subject to federal and state income taxes at the applicable corporate rates. As there were no significant operating activities in RMPB Ventures, Inc., income taxes were inconsequential for the years ended June 30, 2020 and 2019.

***Adoption of Accounting Pronouncement***

As of July 1, 2019, the Network adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Network adopted the new standard on a modified prospective basis, and it impacted the recognition of certain contribution and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

***Upcoming Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Network's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Network has not yet determined which application method it will use.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Network's year ending June 30, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Network is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Network’s financial statements as a result of the Network's operating leases, as disclosed in Note 14, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, the Network will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of activities are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

## Note 2 - Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Network’s year ending June 30, 2022 and will be applied using the retrospective method.

***Impact of the COVID-19 Pandemic***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

As a result of the pandemic, the Network has transitioned many of its employees to a remote working environment, although technical broadcasting operations, on-air personalities, and other necessary roles required on-site work. The Network made every effort to comply with Colorado and Denver health directives, both mandatory and voluntary.

The Network has not experienced a significant decrease in membership, underwriting, or other revenue sources as a result of the pandemic. The Network received $275,000 in CARES Act fiscal stabilization grants from the Corporation for Public Broadcasting, which have been presented along with community service grants.

The Network received federal relief funding through the Paycheck Protection Program (PPP), as described in Note 10.

Within the communities the Network serves, COVID-19 has presented great challenges, particularly in the area of education, as classroom settings have largely moved to remote learning environments. While a complete picture of the long-term impact of lost classroom time on Colorado's youngest students has not been developed, this particular challenge inspired Colorado's governor, Jared Polis; the Colorado Department of Education; Colorado Education Initiative; Gary Community Investments; and several other partners to approach the Network about a possible response. The Network was willing and able to rapidly develop, produce and air a five-week, teacher-led program called *Colorado Classroom* to support families whose children were missing classroom time. *Colorado Classroom* programming has since reached at least 250,000 children, and the Network has distributed in-home learning materials to nearly 1,000 families since the program began, leveraging community partnerships and joint family engagement efforts.

Financial markets initially experienced a significant downturn but have largely recovered as of June 30, 2020. The Network has not experienced any significant net impact to their investments as a result of the pandemic, and no impairments were recorded as of the consolidated statement of financial position date. However, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

Because of the significant uncertainties stemming from the continued effects of the pandemic, there is a possibility that the Networks’s changes in net assets, cash flows, and financial condition could be impacted in the future; however, the likelihood or extent of such impact cannot be reasonably estimated.

## Note 2 - Significant Accounting Policies (Continued)

***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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The consolidated financial statements and related disclosures include evaluation of events up through and including December 17, 2020, which is the date the consolidated financial statements were available to be issued.

## Note 3 - Liquidity and Availability of Resources

The following reflects the Network's financial assets reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 6,419,116 | $ 8,397,727 |
| Restricted cash - Capital campaign | 1,289,867 | 1,620,927 |
| Receivables | 5,413,560 | 5,385,570 |
| Investments | 9,951,024 | 10,160,018 |
| Investments - Capital campaign | 5,550,611 | 5,483,727 |
| Beneficial interest in trusts | 133,376 | 144,886 |
| Note receivable | 6,690,000 | 6,690,000 |
| Financial assets - At year end | 35,447,554 | 37,882,855 |
| Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions and board designations: | | |
| Receivables restricted by donor with time or purpose restrictions | 4,263,730 | 4,516,048 |
| Capital campaign cash and investments, subject to appropriation and satisfaction of donor restrictions and board designations toward the capital campaign | 6,840,478 | 7,104,654 |
| Beneficial interest in trusts, subject to an implied time restriction and an expressed purpose restriction for the capital campaign | 133,376 | 144,866 |
| RMPM QALICB cash, subject to contractual restrictions for the financing of the Buell Public Media Center | 614,386 | 5,875,488 |
| Other cash and notes receivable subject to contractual restrictions related to the New Markets Tax Credit financing | 6,881,758 | 6,784,326 |
| Net assets restricted by donor in addition to those listed above | 316,248 | 314,281 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 16,397,578 | $ 13,143,192 |

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Network has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Network invests cash in excess of liquidity requirements in various short-term investments.

## Note 3 - Liquidity and Availability of Resources (Continued)

The Network also realizes there could be unanticipated liquidity needs.

The Network has a committed line of credit in the amount of $1,200,000 at June 30, 2020, which it could draw upon if needed to meet general expenditure liquidity requirements, as discussed in Note 13.

The Network's available borrowing capacity through the notes payable discussed in Note 10 is contractually restricted for the Buell Public Media Center capital campaign and cannot be used to meet general expenditure liquidity requirements.

## Note 4 - Buell Public Media Center Capital Campaign

Beginning during the year ended June 30, 2016, and substantially completed during the year ended June 30, 2020, the Network embarked on a capital campaign. The Network is committed to being the leader in the reinvention of public media. By changing Colorado's public media landscape through an ambitious capital campaign initiative, the vision of the $34 million Buell Public Media Center (BPMC) was realized. BPMC houses a replicable model of high-tech media collaboration, original programming, and community involvement.

Some of the key funding sources are outlined below:

For the years ended June 30, 2020 and 2019, the Network raised $293,289 and $1,609,807, respectively, in capital campaign contributions and $12,750,675 in the years prior. As of June 30, 2020 and 2019, the Network had capital campaign pledges outstanding of $2,615,044 and $2,623,836, respectively.

As part of the development of BPMC, in July 2016, the Network entered into a land-for-land exchange agreement with the State of Colorado, where the Network exchanged the existing land and building of its operations on Bannock Street valued at $2,029,647 and received from the State of Colorado $1,500,000 in cash, as well as land on Arapahoe Street for construction of BPMC valued at $8,400,000, resulting in a total gain of $7,870,353 in fiscal year 2017, of which $1,250,000 was originally deferred on the sale and leaseback, as discussed below.

The Network also entered into an office lease agreement commencing in August 2016 (the "Commencement Date") with the State of Colorado to occupy its existing building on Bannock Street until the construction of BPMC is completed. The lease term is for five years from the Commencement Date, with annual rent of $250,000. The lease includes an early termination clause, where the Network may terminate the lease at no cost after the 36th month of the lease. Future lease payments for the office lease have been included in Note 14. The amount of gain equal to future minimum lease payments is deferred and will be recognized in proportion to the amount of rent charged to expense over the term of the lease. For the years ended June 30, 2020 and 2019, the Network expensed $250,000 of lease payments. In addition, for the years ended June 30, 2020 and 2019, the Network recognized a gain on the sale and leaseback transaction of $250,000. At June 30, 2020 and 2019, $265,625 and $515,625, respectively, of deferred gain on the sale and leaseback transaction is included on the consolidated statement of financial position. The Network has also designated $1,343,786 of cash proceeds from the land-for-land exchange agreement and $5,325,000 of net cash proceeds from the fiscal year 2019 land sale of a portion of the land to the capital campaign.

On October 30, 2018, the Network, to facilitate the development of BPMC, entered into a financing structure using New Markets Tax Credit (NMTC) financing and the sale of tax-exempt bonds. The NMTC program was established as part of the Community Renewal Tax Relief Act of 2000 and provides tax credit incentives to investors for equity investments in certified Community Development Entities, which invest in low-income communities. The NMTC financing is expected to provide the Network a net benefit of $1,743,186 for the construction of BPMC. The sale of tax-exempt bonds resulted in $12,100,000 in available proceeds, as described in Note 10.

## Note 4 - Buell Public Media Center Capital Campaign (Continued)

In order to facilitate the NMTC financing structure, the Network subdivided the Arapahoe Street property pursuant to a Planned Community Declaration for the Buell Public Media Center, and separate ownership units were created (each a "Unit").

The Network donated one of the Units to Emily Griffith Technical College (a Colorado nonprofit corporation), which contributed the Unit, plus cash, to a newly created entity, CMC QALICB, LLC (CMC QALICB) (a Colorado limited liability company), to establish a 95 percent limited membership interest. Furthermore, the Network contributed cash to establish a 5 percent membership interest in CMC QALICB, entered into an operating agreement for CMC QALICB, and accepted its role as managing member of CMC QALICB. The Network does not have control of CMC QALICB due to the participation rights held by the limited member. As such, the Network's investment in CMC QALICB is accounted for as an investment in subsidiary on the consolidated statement of financial position. CMC QALICB constructed and developed the Unit for lease to the City and County of Denver, Colorado.

The Network donated the remaining Units and predevelopment costs to another newly created entity, Rocky Mountain Public Media QALICB, Inc. (a Colorado nonprofit corporation) (RMPM QALICB), a wholly owned subsidiary of the Network, as described in the *Principles of Consolidation* section of Note 2. The Network's investment in RMPM QALICB was in the form of approximately $2,483,000 of property and equipment and $5,287,000 of cash, sourced from the capital campaign, and other sources and has been eliminated during consolidation. RMPM QALICB constructed and developed the Units for lease to RMPM, Inc.

The Network loaned the principal amount of $6,690,000 to Rocky Mountain Investment Fund, LLC (a Delaware limited liability company). Rocky Mountain Investment Fund used these proceeds, together with other funds invested by Wells Fargo Community Investment Holdings, LLC, the tax credit investor, to fund a qualified equity investment in Rose Urban Green Sub-CDE, XVI, LLC (a Delaware limited liability company) (the "Sub-CDE"). This note receivable is described in Note 8.

Both these QALICB entities have entered into notes payable to be provided funds to build out their portions of BPMC through qualified low-income community investment (QLICI) from the Sub-CDE. RMPM QALICB's notes payable to the Sub-CDE are described in Note 10. CMC QALICB's notes payable total $1,960,000. These QUALICB notes payable are secured by deeds of trust on the underlying property and the assignment of leases and rents. RMPM has provided a guarantee on the notes payable.

The Network broke ground on BPMC on November 29, 2018. The primary construction and design contract for BPMC amounts to $30,226,924, as amended through June 30, 2020. Through June 30, 2020 and 2019, total construction costs incurred by the Network, including costs incurred to other vendors than the primary contractor, amounted to $32,473,476 and $13,471,952, respectively. Through June 30, 2020 and 2019, construction costs incurred by CMC QALICB amounted to $2,253,302 and $799,453, respectively.

On January 2, 2019, the Network closed on the sale of a portion of the Arapahoe Street land acquired through the land-for-land exchange with the State of Colorado, referred to as Arapahoe Square. Proceeds from the sale amounted to $5,500,000, but selling costs were incurred, resulting in net proceeds of approximately $5,325,000. The sale resulted in recognizing a gain of $1,620,525 after netting proceeds against the basis of the proportion of land sold and other factors.

In October 2019, the Network sold the Gill Center for Public Media building for $1,800,000, providing net proceeds of approximately $1,690,000 after selling costs. These proceeds were designated to the capital campaign.

## Note 5 - Capital Campaign Pledges Receivable

Included in receivables are several unconditional promises to give generated from the capital campaign. They are included at June 30 as follows:

| | 2020 | 2019 |
|---|---|---|
| Gross promises to give before unamortized discount | $ 2,845,310 | $ 2,841,792 |
| Less allowance for uncollectible contributions | (9,105) | (9,105) |
| Less allowance for net present value discount of approximately 3 percent | (221,161) | (208,851) |
| Net contributions receivable | $ 2,615,044 | $ 2,623,836 |
| Amounts due in: | | |
| Less than one year | $ 1,161,817 | $ 909,366 |
| One to five years | 1,683,493 | 1,932,426 |
| Gross promises to give | $ 2,845,310 | $ 2,841,792 |

## Note 6 - Investments

The details of the Network's investments at June 30 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Money market funds | $ 5,796,847 | $ 5,769,180 |
| Fixed-income mutual funds | 2,375,843 | 2,631,051 |
| Equity mutual funds | 7,328,945 | 7,243,514 |
| Total investments | $ 15,501,635 | $ 15,643,745 |

At June 30, 2020 and 2019, the money market funds investment balance included $5,550,611 and $5,483,727, respectively, of investments restricted and designated in conjunction with the capital campaign.

Investment income consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Dividends and interest | $ 465,680 | $ 476,282 |
| Net realized losses | (574,606) | (143,113) |
| Net unrealized gains | 101,140 | 310,905 |
| Fees | (31,875) | (42,500) |
| Total investment return | $ (39,661) | $ 601,574 |

## Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Network's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Network to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Network has the ability to access.

## Note 7 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Network's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

| | Assets Measured at Fair Value on a Recurring Basis at June 30, 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2020 |
| Investments: | | | | |
| Money market funds | $ 5,796,847 | $ - | $ - | $ 5,796,847 |
| Fixed-income mutual funds | 2,375,843 | - | - | 2,375,843 |
| Equity mutual funds | 7,328,945 | - | - | 7,328,945 |
| Beneficial interest in trusts | - | - | 133,376 | 133,376 |
| Total assets | $ 15,501,635 | $ - | $ 133,376 | $ 15,635,011 |

| | Assets Measured at Fair Value on a Recurring Basis at June 30, 2019 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2019 |
| Investments: | | | | |
| Money market funds | $ 5,769,180 | $ - | $ - | $ 5,769,180 |
| Fixed-income mutual funds | 2,631,051 | - | - | 2,631,051 |
| Equity mutual funds | 7,243,514 | - | - | 7,243,514 |
| Beneficial interest in trusts | - | - | 144,886 | 144,886 |
| Total assets | $ 15,643,745 | $ - | $ 144,886 | $ 15,788,631 |

The following are descriptions of the valuation methodologies used for assets measured at fair value:

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

*Beneficial interest in trusts*: The fair value of investments held in beneficial interests in trusts include Levels 1 and 2; however, the Network's pro rata share of the interest in the trusts is determined by actuarial assumptions that are not quoted on active markets and, therefore, are classified under Level 3 in the fair value hierarchy.

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

## Note 7 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2020 and 2019 are as follows:

| | Beneficial Interest in Trusts |
|---|---|
| Balance at July 1, 2019 | $ 144,886 |
| Change in value of split-interest agreements | (11,510) |
| Balance at June 30, 2020 | $ 133,376 |

| | Beneficial Interest in Trusts |
|---|---|
| Balance at July 1, 2018 | $ - |
| Contribution of interest | 144,886 |
| Balance at June 30, 2019 | $ 144,886 |

## Note 8 - Note Receivable

A note receivable in the amount of $6,690,000 from Rocky Mountain Investment Fund, LLC (the "Investment Fund") was made as part of the NMTC financing described in Note 4, effective on October 30, 2018, and is due in installments of principal and interest at 1.4647 percent, equal to the amount and with consistent frequency of distributions the Investment Fund receives from the Sub-CDE, to which this note's proceeds were subsequently invested.

The note is collateralized by the Investment Fund's interest in the Sub-CDE and the rights to the distributions from the Sub-CDE, as prescribed by the Sub-CDE's operating agreement, as amended and restated. The note matures on October 30, 2044 but includes the option that, after the end of the NMTC compliance period (seven years from the effective date of October 30, 2018), the Fund has the option, but shall not be obligated, to provide for the payment of this note, in whole, by the transfer to the Network of the promissory notes evidencing the CMC QALICB QLICI loan and the RMPM QALICB QLICI loan described in Notes 4 and 10.

Because of the variable nature of the timing of repayment on this note receivable, as it is based on the distributions to the Investment Fund from the Sub-CDE, no amount of the note is considered current, and no maturity schedule has been disclosed.

## Note 9 - Property and Equipment

Property and equipment are summarized as follows:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 5,083,180 | $ 5,128,180 |
| Buildings and improvements | 882,009 | 2,137,009 |
| Furniture, fixtures, and equipment | 2,595,895 | 13,805,425 |
| Transmitter facilities and equipment | 3,578,301 | 13,942,874 |
| Construction in progress | 32,498,634 | 13,495,358 |
| Total cost | 44,638,019 | 48,508,846 |
| Accumulated depreciation: | | |
| Buildings and improvements | 404,854 | 668,286 |
| Furniture, fixtures, and equipment | 3,102,413 | 11,745,603 |
| Transmitter facilities and equipment | 1,255,976 | 13,985,232 |
| Total accumulated depreciation | 4,763,243 | 26,399,121 |
| Net property and equipment | $ 39,874,776 | $ 22,109,725 |

Depreciation expense for 2020 and 2019 was $477,379 and $540,282, respectively.

## Note 10 - Notes Payable

Notes payable at June 30 are as follows:

| | 2020 | 2019 |
|---|---|---|
| The Network has an obligation under a note payable for property for a mortgage payable to Five Points Media Center. The note is due in monthly installments of principal and interest of $1,004 through December 2023, with an interest rate of 5 percent and secured by a first deed of trust on an office condominium | $ 38,361 | $ 48,227 |
| In October 2016, the Network entered into a note payable to the City and County of Denver, Colorado. The note allows for a total principal amount of up to $1,500,000 to be borrowed, which includes $1,000,000 as a performance-based loan at 0 percent interest and $500,000 as a repayable loan at 2 percent interest. The note is secured by a first deed of trust on property. If the Network remains in compliance with the notes, as defined in the agreement, the performance-based loan will be deemed to be fully paid and satisfied 85 months after the execution of the note payable | 1,470,000 | 1,470,000 |
| In October 2018, the Network entered into an amendment of the October 2016 note payable to the City and County of Denver, Colorado. The amendment authorized an additional principal amount of up to $1,900,000 to be borrowed under the same terms of the original note payable. If the Network remains in compliance with the notes, as defined in the agreement, the performance-based loan will be deemed to be fully paid and satisfied 85 months after the execution of the note payable | 1,780,000 | - |

## Note 10 - Notes Payable (Continued)

| | 2020 | 2019 |
|---|---|---|
| On October 30, 2018, in concert with the NMTC financing for the Buell Public Media Center described in Note 4, the Network entered into a financing agreement with PB&T Bank (PB&T), where PB&T agreed to purchase tax-exempt bonds issued by the Colorado Educational and Cultural Facilities Authority (the "Authority"), the proceeds of which were used to make a loan to the Network in the original principal amount of $12,100,000, maturing on October 30, 2025. The loan was assigned from the Authority to PB&T upon being made, along with the security interests described below. The loan is secured by a set of deeds in trusts: one between RMPM, Inc. and PB&T regarding land units A, B, C, and D, and parking units II, III, and IV of BPMC, according to the Planned Community Declaration recorded, and one between RMPM QALICB and the Authority regarding building units 2, 3, and 4; parking unit I; and terrace unit of BPMC, according to the Planned Community Declaration recorded, the "senior deed in trust." The loan accrues interest at the tax-exempt rate of 4.08 percent, with interest and principal payments due quarterly, but with principal payments deferred until 18 months following the first draw. The loan amortizes over a 25-year amortization schedule, but a balloon payment is required upon maturity on October 30, 2025. As of June 30, 2020, this loan was drawn in the amount of $9,626,496 to fund continuing construction on BPMC, and repayments of $121,862 have been made against the loan principal | $ 9,504,635 | $ - |
| On October 30, 2018, as part of the NMTC financing for the Buell Public Media Center described in Note 4, the Network entered into a pair of promissory notes for $5,352,000 and $2,488,000 of qualified low-income community investment proceeds from the Sub-CDE. The notes are secured by a second deed of trust to RMPM QALICB's property in BPMC, including building units 2, 3, and 4; parking unit I; and a terrace unit, according to the Planned Community Declaration recorded. This second deed in trust is subordinated to the senior deed in trust outlined above according to an intercreditor agreement by PB&T and the Sub-CDE. The notes mature on October 30, 2048 and bear interest at 1 percent annually. Quarterly interest-only payments, in the schedule described in the promissory notes, are required until October 30, 2025, at which point, one of the notes requires a one-time principal payment of $40,000, and then, beginning on March 1, 2026, both notes require principal and interest payments sufficient to fully repay the outstanding principal plus interest in level quarterly payments over the remaining term of the notes | 7,840,000 | 7,840,000 |
| During the year ended June 30, 2020, the Network received $1,188,407 through the Paycheck Protection Program under the CARES Act. The Network has elected to account for these PPP funds as a loan payable until it is repaid or legal notice of forgiveness is received, under ASC 470. These funds bear interest at 1.00 percent, defer principal and interest payments for 10 months, and contractually mature in August 2022 | 1,188,407 | - |
| Unamortized debt issuance costs* | (880,002) | (880,002) |
| Notes payable | $ 20,941,401 | $ 8,478,225 |

*The amortization of debt issuance costs will occur once the related project financed by these borrowings is placed into service.

## Note 10 - Notes Payable (Continued)

The balance of the above debt matures as follows:

| Years Ending | Amount |
|---|---|
| 2021 | $ 398,168 |
| 2022 | 402,891 |
| 2023 | 1,590,165 |
| 2024 | 3,636,783 |
| 2025 | 367,426 |
| Thereafter | 15,425,970 |
| Unamortized debt discount | (880,002) |
| Total | $ 20,941,401 |

Interest expense for 2020 and 2019 was $204,434 and $22,639, respectively.

## Note 11 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

| | 2020 | 2019 |
|---|---|---|
| Board-designated net assets - Capital campaign | $ 5,311,278 | $ 4,068,936 |
| Undesignated net assets | 39,478,842 | 31,584,802 |
| Total net assets without donor restriction | $ 44,790,120 | $ 35,653,738 |

Net assets with donor restrictions as of June 30 are available for the following purposes:

| | 2020 | 2019 |
|---|---|---|
| Subject to expenditures for a specified purpose - Capital campaign | $ 5,630,934 | $ 10,859,228 |
| Subject to the Network's spending policy and appropriation - Endowment earnings | 54,531 | 52,564 |
| Not subject to appropriation or expenditure: | | |
| Medearis | 60,000 | 60,000 |
| General endowment | 201,717 | 201,717 |
| Total not subject to appropriation or expenditure | 261,717 | 261,717 |
| Total net assets with donor restrictions | $ 5,947,182 | $ 11,173,509 |

## Note 12 - Employee Benefit Plan

The Network has a tax-sheltered annuity plan (the "Plan") under IRC Section 403(b) covering substantially all full-time employees. The Network contributes 100 percent up to 3 percent of the employees' deferrals. In addition, each participating employee has the option to contribute additional amounts on a pretax basis up to the maximum allowable by the IRS. Contributions to the Plan vest immediately. The Network contributed $142,135 and $125,787 for the years ended June 30, 2020 and 2019, respectively.

## Note 13 - Line of Credit

During the year ended June 30, 2020, the Network has a $1,200,000 line of credit with a bank, which bears interest at 6 percent and matures on April 14, 2021. The outstanding balance at June 30, 2020 and 2019 was $0. The line of credit is collateralized by deposit accounts of the Network.

## Note 14 - Operating Leases

The Network leases facilities, equipment, and tower space under noncancelable operating leases through September 2028. Rent expense for the years ended June 30, 2020 and 2019 was $743,032 and $762,043, respectively.

Future minimum annual commitments under these operating leases are as follows:

| Years Ending June 30 | Amount |
|---|---|
| 2021 | $ 663,712 |
| 2022 | 318,635 |
| 2023 | 201,870 |
| 2024 | 126,421 |
| 2025 | 72,378 |
| Thereafter | 75,253 |
| Total | $ 1,458,269 |

## Note 15 - Rental Fee Income

The Network leases transmission towers and commercial space to tenants under noncancelable operating leases with terms of one to five years. Rental fee income for the years ended June 30, 2020 and 2019 was approximately $230,000 and $246,000, respectively.

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

| Years Ending June 30 | Amount |
|---|---|
| 2021 | $ 27,000 |
| 2022 | 28,000 |
| 2023 | 29,000 |
| 2024 | 29,000 |
| 2025 | 2,000 |
| Total | $ 115,000 |

## Note 16 - Related Party Transactions

The following is a description of transactions between the Network and related parties:

***Related Party Receivable***

At June 30, 2020, the Network had a receivable from CMC QALICB, LLC totaling $227,580 for construction expenses paid on its behalf and awaiting reimbursement. CMC QALICB, LLC is a party related to the Network, as the Network holds a minority membership interest of CMC QALICB, LLC, as discussed in Note 4.

# Supplemental Information

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## Independent Auditor's Report on Supplemental Information

To the Board of Directors
Rocky Mountain Public Media, Inc.

We have audited the consolidated financial statements of Rocky Mountain Public Media, Inc. and its subsidiaries as of and for the years ended June 30, 2020 and 2019 and have issued our report thereon dated December 17, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2020 consolidated financial statements as a whole. The supplemental consolidating statement of financial position, consolidating statement of activities, and the subsidiary statements of functional expenses are presented for the purpose of additional analysis rather than to present the financial position, activities, and functional expenses of the individual companies and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2020 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2020 consolidated financial statements as a whole.

Plante & Moran, PLLC

December 17, 2020

# Consolidating Statement of Financial Position

**June 30, 2020**

| | Rocky Mountain PBS | KUVO, LLC | Rocky Mountain Ventures | Rocky Mountain Public Media QALICB, Inc. | Eliminating Entries | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | $ 5,098,822 | $ 705,661 | $ 247 | $ 614,386 | $ - | $ 6,419,116 |
| Restricted cash - Capital campaign | 1,289,867 | - | - | - | - | 1,289,867 |
| Receivables - Net of allowances: | | | | | | |
| Program underwriting and fees | 850,927 | 71,323 | - | - | - | 922,250 |
| Contributions, grants, and other | 1,573,335 | 75,351 | - | - | - | 1,648,686 |
| Capital campaign pledges receivable | 2,615,044 | - | - | - | - | 2,615,044 |
| Related party receivable | 221,495 | - | - | 6,085 | - | 227,580 |
| Total receivables - Net of allowances | 5,260,801 | 146,674 | - | 6,085 | - | 5,413,560 |
| Intercompany receivables | 2,331,597 | - | - | - | (2,331,597) | - |
| Program inventory | 101,419 | - | - | - | - | 101,419 |
| Investments | 9,951,024 | - | - | - | - | 9,951,024 |
| Investments - Capital campaign | 5,550,611 | - | - | - | - | 5,550,611 |
| Operating license | - | 53,017 | - | - | - | 53,017 |
| Prepaid expenses and other assets | 169,983 | 108,059 | 5,000 | - | - | 283,042 |
| Loans and notes receivable | 6,690,000 | - | - | - | - | 6,690,000 |
| Investments in subsidiaries | 7,460,129 | - | - | - | (7,436,626) | 23,503 |
| Beneficial interest in trusts | 133,376 | - | - | - | - | 133,376 |
| Property and equipment - Net | 13,497,875 | 705,136 | - | 25,671,765 | - | 39,874,776 |
| Total assets | **$ 57,535,504** | **$ 1,718,547** | **$ 5,247** | **$ 26,292,236** | **$ (9,768,223)** | **$ 75,783,311** |

# Consolidating Statement of Financial Position (Continued)

**June 30, 2020**

| | Rocky Mountain PBS | KUVO, LLC | Rocky Mountain Ventures | Rocky Mountain Public Media QALICB, Inc. | Eliminating Entries | Total |
|---|---|---|---|---|---|---|
| **Liabilities and Net Assets (Deficiency in Net Assets)** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts payable | $ 1,226,198 | $ 21,896 | $ - | $ 2,016,736 | $ - | $ 3,264,830 |
| Accrued expenses | 372,344 | 80,856 | - | - | - | 453,200 |
| Deferred revenue | 101,125 | 19,828 | - | - | - | 120,953 |
| Intercompany payables | - | 1,304,675 | 652,681 | 374,241 | (2,331,597) | - |
| Deferred gain on sale and leaseback | 265,625 | - | - | - | - | 265,625 |
| Notes payable | 4,438,407 | 38,361 | - | 16,464,633 | - | 20,941,401 |
| Total liabilities | 6,403,699 | 1,465,616 | 652,681 | 18,855,610 | (2,331,597) | 25,046,009 |
| **Net Assets (Deficiency in Net Assets)** | | | | | | |
| Without donor restrictions | 45,184,623 | 252,931 | (647,434) | 7,436,626 | (7,436,626) | 44,790,120 |
| With donor restrictions | 5,947,182 | - | - | - | - | 5,947,182 |
| Total net assets (deficiency in net assets) | 51,131,805 | 252,931 | (647,434) | 7,436,626 | (7,436,626) | 50,737,302 |
| Total liabilities and net assets (deficiency in net assets) | **$ 57,535,504** | **$ 1,718,547** | **$ 5,247** | **$ 26,292,236** | **$ (9,768,223)** | **$ 75,783,311** |

# Consolidating Statement of Activities

## Year Ended June 30, 2020

| | Rocky Mountain PBS | KUVO, LLC | Rocky Mountain Public Media QALICB, Inc. | Eliminating Entries | Total |
|---|---|---|---|---|---|
| **Changes Net Assets without Donor Restrictions** | | | | | |
| Revenue, gains, and other support: | | | | | |
| Membership | $ 9,661,561 | $ 799,613 | $ - | $ - | $ 10,461,174 |
| Underwriting | 1,331,923 | 220,503 | - | - | 1,552,426 |
| Bequests | 1,067,756 | - | - | - | 1,067,756 |
| Other gifts | 204,429 | 145,376 | - | - | 349,805 |
| Community service grants | 2,094,027 | 198,726 | - | - | 2,292,753 |
| Other grants | 2,940,126 | 82,511 | - | - | 3,022,637 |
| In-kind donations | 39,116 | 50,353 | - | - | 89,469 |
| Program service revenue | 1,730 | - | - | - | 1,730 |
| Service fees and rental | 329,478 | 105,522 | - | - | 435,000 |
| Change in value of split-interest agreements | (11,510) | - | - | - | (11,510) |
| Other | 5,554 | 80,792 | - | - | 86,346 |
| Net assets released from restrictions | 5,521,583 | - | - | - | 5,521,583 |
| Total revenue, gains, and other support | 23,185,773 | 1,683,396 | - | - | 24,869,169 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Programming and production | 4,886,282 | 752,021 | - | - | 5,638,303 |
| Broadcasting | 2,492,934 | 340,416 | - | - | 2,833,350 |
| Public information | 718,719 | 72,317 | - | - | 791,036 |
| Total program services | 8,097,935 | 1,164,754 | - | - | 9,262,689 |
| Support services: | | | | | |
| Management and general | 2,110,503 | 443,833 | 241,696 | - | 2,796,032 |
| Fundraising and development | 3,420,880 | 306,092 | - | - | 3,726,972 |
| Underwriting | 674,404 | 56,235 | - | - | 730,639 |
| Building and capital campaign | 8,375 | - | - | - | 8,375 |
| Total support services | 6,214,162 | 806,160 | 241,696 | - | 7,262,018 |
| Total expenses | 14,312,097 | 1,970,914 | 241,696 | - | 16,524,707 |
| **Increase (Decrease) in Net Assets without Donor Restrictions** - Before nonoperating (expense) income | 8,873,676 | (287,518) | (241,696) | - | 8,344,462 |
| **Nonoperating (Expense) Income** | | | | | |
| Depreciation | (398,426) | (78,953) | - | - | (477,379) |
| Investment loss - Net | (39,661) | - | - | - | (39,661) |
| Gain on sale of property and equipment | 1,044,960 | 264,000 | - | - | 1,308,960 |
| Loss on investment in subsidiary | (241,696) | - | - | 241,696 | - |
| Total nonoperating income | 365,177 | 185,047 | - | 241,696 | 791,920 |
| **Changes in Net Assets with Donor Restrictions** | | | | | |
| Contributions | 293,289 | - | - | - | 293,289 |
| Endowment earnings | 1,967 | - | - | - | 1,967 |
| Net assets released from restrictions | (5,521,583) | - | - | - | (5,521,583) |
| **Decrease in Net Assets with Donor Restrictions** | (5,226,327) | - | - | - | (5,226,327) |
| **Increase (Decrease) in Net Assets** | **$ 4,012,526** | **$ (102,471)** | **$ (241,696)** | **$ 241,696** | **$ 3,910,055** |

# Subsidiary Statement of Functional Expenses
# Rocky Mountain PBS

**Year Ended June 30, 2020**

| | Program Services | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|
| | Programming and Production | Broadcasting | Public Information | Management and General | Fundraising and Development | Underwriting | Building and Capital Campaign | Total |
| **Rocky Mountain PBS** | | | | | | | | |
| Personnel and payroll taxes | $ 1,695,269 | $ 965,074 | $ 551,690 | $ 905,196 | $ 860,236 | $ 586,577 | $ - | $ 5,564,042 |
| Program acquisitions | 2,452,066 | - | - | - | - | - | - | 2,452,066 |
| Professional services | 424,199 | 480,449 | 9,768 | 552,504 | 846,330 | 9,760 | - | 2,323,010 |
| Mailing and shipping | 1,639 | 13,772 | 2,875 | 4,790 | 959,854 | - | - | 982,930 |
| Printing and duplication | 727 | 40,335 | 1,531 | 476 | 303 | - | - | 43,372 |
| Building, distribution, and software | 8,711 | 600,153 | 86 | 241,438 | 725 | 650 | - | 851,763 |
| Building rent | 175,814 | 32,210 | 1,017 | 24,207 | 19,857 | 7,688 | - | 260,793 |
| Subscriptions, dues, and licenses | 22,122 | 183,441 | 395 | 66,764 | 8,441 | 65 | - | 281,228 |
| Premiums, advertising, and promotions | 48,535 | 47,018 | 118,016 | 14,318 | 444,528 | 48,878 | - | 721,293 |
| Supplies and videotapes | 17,445 | 44,990 | 3,990 | 11,496 | 5,299 | 186 | - | 83,406 |
| Travel, parking, and mileage | 26,538 | 15,591 | 3,944 | 9,267 | 15,814 | 4,880 | - | 76,034 |
| Insurance | 2,205 | - | - | 175,231 | - | - | - | 177,436 |
| Telephone and connectivity | - | 78 | - | 432 | - | - | - | 510 |
| Interest and bank fees | - | - | - | 7,671 | 235,305 | - | 8,375 | 251,351 |
| Trainings and meetings | 10,769 | 18,319 | 25,407 | 53,037 | 24,188 | 4,028 | - | 135,748 |
| Repairs and maintenance | 193 | 49,523 | - | 43,676 | - | - | - | 93,392 |
| Bad debt | 50 | 1,981 | - | - | - | 11,692 | - | 13,723 |
| Total functional expenses before depreciation | 4,886,282 | 2,492,934 | 718,719 | 2,110,503 | 3,420,880 | 674,404 | 8,375 | 14,312,097 |
| Depreciation | 46,263 | 324,852 | - | - | 26,034 | 1,277 | - | 398,426 |
| Total functional expenses | **$ 4,932,545** | **$ 2,817,786** | **$ 718,719** | **$ 2,110,503** | **$ 3,446,914** | **$ 675,681** | **$ 8,375** | **$ 14,710,523** |

# Subsidiary Statement of Functional Expenses
# KUVO, LLC

**Year Ended June 30, 2020**

| | Program Services | | | Support Services | | | |
|---|---|---|---|---|---|---|---|
| | Programming and Production | Broadcasting | Public Information | Management and General | Fundraising and Development | Underwriting | Total |
| **KUVO, LLC** | | | | | | | |
| Personnel and payroll taxes | $ 619,174 | $ 80,367 | $ 61,854 | $ 275,091 | $ 74,944 | $ 51,859 | $ 1,163,289 |
| Program acquisitions | 99,705 | 20,280 | - | - | - | - | 119,985 |
| Professional services | 20,760 | 138,286 | 324 | 44,274 | 23,831 | 525 | 228,000 |
| Mailing and shipping | 22 | 26 | - | 131 | 55,997 | - | 56,176 |
| Printing and duplication | 262 | 2,386 | 4,285 | 4,098 | 3,389 | - | 14,420 |
| Building, distribution, and software | 2,932 | 60,171 | 225 | 25,710 | 250 | - | 89,288 |
| Building rent | - | - | - | 67,101 | - | - | 67,101 |
| Subscriptions, dues, and licenses | 418 | - | 355 | 12,814 | 127 | - | 13,714 |
| Premiums, advertising, and promotions | 3,064 | 480 | 4,818 | 5,915 | 24,652 | - | 38,929 |
| Supplies and videotapes | 323 | 14,229 | 160 | 1,265 | 1,847 | - | 17,824 |
| Travel, parking, and mileage | 2,943 | 257 | 63 | 578 | 3,553 | 811 | 8,205 |
| Telephone and connectivity | - | - | - | - | 48 | - | 48 |
| Interest and bank fees | - | - | - | 2,187 | 31,021 | - | 33,208 |
| Trainings and meetings | 2,378 | - | 233 | 4,669 | 86,433 | 350 | 94,063 |
| Repairs and maintenance | 40 | 23,934 | - | - | - | - | 23,974 |
| Bad debt | - | - | - | - | - | 2,690 | 2,690 |
| Total functional expenses before depreciation | 752,021 | 340,416 | 72,317 | 443,833 | 306,092 | 56,235 | 1,970,914 |
| Depreciation | 34,699 | 6,089 | - | 38,165 | - | - | 78,953 |
| Total functional expenses | **$ 786,720** | **$ 346,505** | **$ 72,317** | **$ 481,998** | **$ 306,092** | **$ 56,235** | **$ 2,049,867** |