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CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONTENTS

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Independent Auditors' Report

To the Board of Trustees
Connecticut Public Broadcasting, Inc. and Subsidiaries
Hartford, Connecticut

We have audited the accompanying consolidated financial statements of Connecticut Public Broadcasting, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Public Broadcasting, Inc. and Subsidiaries as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of Connecticut Public Broadcasting, Inc. and Subsidiaries as of June 30, 2016 were audited by other auditors whose report dated November 23, 2016 expressed an unmodified opinion on those statements.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 27, 2017

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 266,273	$ 171,111
Investments	623,403	992,280
Accounts receivable, net	3,819,066	3,230,578
Grants and other receivables	39,489	39,609
Production costs	104,656	367,151
Prepaid expenses and deposits	38,425	27,081
Total current assets	4,891,312	4,827,810
Other Assets		
Investments held for property and equipment	107,567	267,465
Investments - endowment	35,369,420	32,342,338
Intangibles, net	499,062	570,031
Other investments	26,229	26,229
Total other assets	36,002,278	33,206,063
Property, Equipment and Leasehold Improvements		
Land and improvements	764,123	764,123
Building	14,051,597	14,036,388
Equipment	33,288,943	32,957,791
Leasehold improvements	260,285	155,720
	48,364,948	47,914,022
Accumulated depreciation and amortization	(36,408,397)	(35,208,405)
Construction in progress	203,734	283,509
Net property, equipment and leasehold improvements	12,160,285	12,989,126
Total Assets	$ 53,053,875	$ 51,022,999
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	$ 825,000	$ 825,000
Current maturities of long-term debt	45,112	92,421
Accounts payable and accrued expenses	4,215,112	4,286,076
Deferred revenue	341,677	494,505
Total current liabilities	5,426,901	5,698,002
Long-Term Liabilities		
Long-term debt, less current maturities	385,901	445,109
Deferred revenue from license and funding agreements	16,927,220	15,830,047
Total long-term liabilities	17,313,121	16,275,156
Total liabilities	22,740,022	21,973,158
Net Assets		
Unrestricted	29,096,745	27,856,416
Temporarily restricted	736,564	813,654
Permanently restricted	480,544	379,771
Total net assets	30,313,853	29,049,841
Total Liabilities and Net Assets	$ 53,053,875	$ 51,022,999

The accompanying notes are an integral part of the consolidated financial statements

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Underwriting support	$ 8,886,097	$ -	$ -	$ 8,886,097
Subscription and membership income	6,788,420	-	-	6,788,420
Corporation for Public Broadcasting	1,944,194	-	-	1,944,194
Annual spending distribution	1,585,286	-	-	1,585,286
Video services	896,167	-	-	896,167
Auctions and special events	827,461	-	-	827,461
Special allocation endowment distribution	826,537	-	-	826,537
Planned gifts and bequests	193,435	-	-	193,435
Contributed in-kind support	160,984	-	-	160,984
Nonbroadcasting services	117,489	-	-	117,489
Donated personal services of volunteers	12,408	-	-	12,408
Miscellaneous	128,859	-	-	128,859
Total revenues	22,367,337	-	-	22,367,337
Expenses				
Program services:				
Programming and production	10,925,071	-	-	10,925,071
Broadcasting	1,854,140	-	-	1,854,140
Contributed in-kind support	152,053	-	-	152,053
Program information	1,196,514	-	-	1,196,514
Total program services	14,127,778	-	-	14,127,778
Supporting services:				
Fundraising and membership development				
Membership development	2,572,257	-	-	2,572,257
Other fundraising expenses	1,111,700	-	-	1,111,700
Contributed in-kind support	8,931	-	-	8,931
Donated personal services of volunteers	12,408	-	-	12,408
Management and general	2,829,524	-	-	2,829,524
Total supporting services	6,534,820	-	-	6,534,820
Reorganization costs	283,873	-	-	283,873
Video services				
Cost of production	759,969	-	-	759,969
General and administrative	287,809	-	-	287,809
Total video services	1,047,778	-	-	1,047,778
Total expenses	21,994,249	-	-	21,994,249
Change in net assets before other activities	373,088	-	-	373,088
Other Activities				
Annual spending distribution	(1,585,286)	-	-	(1,585,286)
Special allocation endowment distribution	(826,537)	-	-	(826,537)
Depreciation and amortization	(1,518,594)	-	-	(1,518,594)
Gain on sale of property and equipment	529,598	-	-	529,598
Interest expense	(143,712)	-	-	(143,712)
Investment income, net	2,770,244	80,487	-	2,850,731
Income from licensing of intangible assets	1,354,260	-	-	1,354,260
Endowment campaign gifts	-	-	100,773	100,773
Contributions restricted for capital additions	-	129,691	-	129,691
Release of restricted assets for capital additions	287,268	(287,268)	-	-
Net nonoperating revenues and expenses	867,241	(77,090)	100,773	890,924
Change in Net Assets	1,240,329	(77,090)	100,773	1,264,012
Net Assets - Beginning of Year	27,856,416	813,654	379,771	29,049,841
Net Assets - End of Year	$ 29,096,745	$ 736,564	$ 480,544	$ 30,313,853

The accompanying notes are an integral part of the consolidated financial statements

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Underwriting support	$ 6,830,174	$ -	$ -	$ 6,830,174
Subscription and membership income	6,573,663	-	-	6,573,663
Corporation for Public Broadcasting	1,863,896	-	-	1,863,896
Annual spending distribution	1,708,489	-	-	1,708,489
Video services	957,898	-	-	957,898
Auctions and special events	30,707	-	-	30,707
Special allocation endowment distribution	1,289,913	-	-	1,289,913
Planned gifts and bequests	151,991	-	-	151,991
Contributed in-kind support	164,897	-	-	164,897
Nonbroadcasting services	124,678	-	-	124,678
Donated personal services of volunteers	12,582	-	-	12,582
Miscellaneous	133,673	-	-	133,673
Total revenues	19,842,561	-	-	19,842,561
Expenses				
Program services:				
Programming and production	9,371,741	-	-	9,371,741
Broadcasting	1,899,838	-	-	1,899,838
Contributed in-kind support	149,781			149,781
Program information	1,196,754	-	-	1,196,754
Total program services	12,618,114	-	-	12,618,114
Supporting services:				
Fundraising and membership development				
Membership development	3,020,407	-	-	3,020,407
Other fundraising expenses	768,263	-	-	768,263
Contributed in-kind support	15,116	-	-	15,116
Donated personal services of volunteers	12,582	-	-	12,582
Management and general	2,816,633	-	-	2,816,633
Total supporting services	6,633,001	-	-	6,633,001
Reorganization costs	311,904	-	-	311,904
Video services				
Cost of production	670,386	-	-	670,386
General and administrative	311,000	-	-	311,000
Total video services	981,386	-	-	981,386
Total expenses	20,544,405	-	-	20,544,405
Change in net assets before other activities	(701,844)	-	-	(701,844)
Other Activities				
Annual spending distribution	(1,708,489)	-	-	(1,708,489)
Special allocation endowment distribution	(1,289,913)	-	-	(1,289,913)
Depreciation and amortization	(1,488,843)	-	-	(1,488,843)
Interest expense	(121,546)	-	-	(121,546)
Bargain purchase	257,500	-	-	257,500
Investment income (loss), net	410,358	(11,105)	-	399,253
Income from licensing of intangible assets	1,704,261	-	-	1,704,261
Contributions restricted for capital additions	-	30,000	-	30,000
Release of restricted assets for capital additions	437,445	(437,445)	-	-
Net nonoperating revenues and expenses	(1,799,227)	(418,550)	-	(2,217,777)
Change in Net Assets	(2,501,071)	(418,550)	-	(2,919,621)
Net Assets - Beginning of Year	30,357,487	1,232,204	379,771	31,969,462
Net Assets - End of Year	$ 27,856,416	$ 813,654	$ 379,771	$ 29,049,841

The accompanying notes are an integral part of the consolidated financial statements

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 1,264,012	$ (2,919,621)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,518,594	1,488,843
Change in provision for accounts receivable	51,636	(49,210)
Change in provision on merchandise inventory	386	(3,217)
Amortization of deferred revenue from licensing agreement	-	(1,139,986)
Contributions restricted for capital additions	(129,691)	(30,000)
Gain on sale of property and equipment	(529,598)	-
Investment income, net	(2,850,731)	(399,252)
Bargain purchase of intangibles	-	(257,500)
(Increase) decrease in operating assets:		
Accounts receivable, net	(640,124)	164,280
Grants and other receivables	120	58,388
Merchandise inventory	(386)	3,217
Production costs	262,495	(107,772)
Prepaid expenses and deposits	(11,344)	24,918
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(70,964)	521,448
Deferred revenue	(152,828)	398,942
Net cash used in operating activities	(1,288,423)	(2,246,522)
Cash Flows from Investing Activities		
Purchases of securities	(3,439,167)	(3,609,896)
Sales of securities	3,791,591	6,874,918
Purchase of intangibles	-	(383,500)
Proceeds (payments) on license of intangible assets and funding agreement, net	1,097,173	(613,527)
Proceeds from sale of property and equipment	529,598	-
Property, equipment and leasehold improvement additions	(618,784)	(480,482)
Net cash provided by investing activities	1,360,411	1,787,513
Cash Flows from Financing Activities		
Proceeds on line of credit, net	-	325,000
Principal payments on debt	(106,517)	(123,499)
Contributions restricted for capital additions	129,691	30,000
Net cash provided by financing activities	23,174	231,501
Net Increase (Decrease) in Cash and Cash Equivalents	95,162	(227,508)
Cash and Cash Equivalents - Beginning of Year	171,111	398,619
Cash and Cash Equivalents - End of Year	$ 266,273	$ 171,111
Cash Paid During the Year for		
Interest	$ 145,900	$ 122,858

The accompanying notes are an integral part of the consolidated financial statements

NOTE 1 - SUMMARY OF SIGNFICANT 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.

On November 30, 2015, a wholly owned nonprofit subsidiary was established, Connecticut Public Broadcasting Real Estate Holding Company, Inc. A majority of the real estate holdings held by Connecticut Public Broadcasting was transferred to the newly formed company.

On November 30, 2015, a wholly owned nonprofit subsidiary was established, Connecticut Public Broadcasting Endowment, Inc. There have been no assets transferred to this new subsidiary. The intent is to transfer the endowment investments into the endowment company.

The consolidated financial statements as of June 30, 2017 and 2016, include the activities of Connecticut Public Broadcasting, Inc., Connecticut Public Broadcasting Real Estate Holding Company, Inc., Connecticut Public Broadcasting Endowment, Inc., and MediaVision Productions, Inc. (collectively, the Company). All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

Basis of Accounting and 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:

Unrestricted
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.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Company's gains and losses on investments bought and sold as well as held during the year.

Intangibles

On July 1, 2015, MediaVision Productions, Inc., entered into an agreement with a related party which resulted in a lease agreement and the purchase of certain intangibles. The agreement required a monthly payment of $30,000 for the use of the building, certain equipment and access to customer lists. The acquisition was valued by a third party. The intangibles were valued at $641,000, resulting in bargain purchase income of $257,500.

Amortization expense is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for financial reporting purposes are as follows:

Asset	Estimated Useful Lives
Customer relations	10 years
Trade name	2.2 years

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 the 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 to 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.

Deferred Revenue

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.

Deferred Revenue from License and Funding Agreements

Prior to the conclusion of the broadcast incentive auction, upfront funding was received and invested within the endowment investment portfolio, per the agreement, and reported as deferred revenue. As of June 30, 2017 and 2016, the total value of $16,927,220 and $15,830,047, respectively, represents amounts received as well as accumulated earnings. Refer to Note 13 for further information.

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.

Measure of Operations

The consolidated statements of activities present revenue from operations separately from nonoperating activities. For purposes of the consolidated statements 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 nonoperating activities. This basis of presentation reflects the Company’s management philosophy throughout the year.

Income Taxes

The Internal Revenue Service has ruled that Connecticut Public Broadcasting, Inc., Connecticut Public Broadcasting Real Estate Holding Company, Inc., and Connecticut Public Broadcasting Endowment, Inc., are exempt from income taxes on related income under the applicable section of the Internal Revenue Code (the IRC). Once qualified, they are required to operate in conformity with the IRC to maintain their tax-exempt status. Connecticut Public Broadcasting, Inc., Connecticut Public Broadcasting Real Estate Holding Company, Inc., and Connecticut Public Broadcasting Endowment, Inc., are not aware of any course of action or series of events that have occurred that might adversely affect their tax-exempt status.

MediaVision Productions, Inc., is a “C” corporation and thus state and federal income taxes are accounted for under an asset and liability method, which recognizes deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the tax and financial reporting basis of certain assets and liabilities.

At June 30, 2017, MediaVision Productions, Inc., has available federal net operating loss carryforwards of approximately $515,000 expiring through 2024, and state net operating loss carryforwards of approximately $254,900 expiring through 2036. Deferred tax assets aggregated $187,760 and $115,275 at June 30, 2017 and 2016, 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 2017 or 2016. In addition, as a result of the increase in the valuation allowance of $72,484 during 2017 and $50,991 during 2016, 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 27, 2017, which is the date the consolidated financial statements were available to be issued. Refer to Note 13 for additional subsequent event information.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2
Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the 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
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual Funds
Mutual funds are valued at the quoted price of shares reported in an active market in which the mutual funds are traded.

Multi-Asset Fund
The fund invests in exchange-traded 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 net asset value and to transact at that price.

Fixed Income
These items are valued at the closing price reported in the active market in which the bonds are traded. Certain bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

There have been no changes in the methodologies used at June 30, 2017 and 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Company's assets at fair value as of June 30, 2017 and 2016:

	2017				
	Level 1	**Level 2**	**Level 3**	**Investments Measured at Net Asset Value (a)**	**Total**
Investments:					
Mutual funds:					
Equity	$ 20,956,780	$ -	$ -	$ -	$ 20,956,780
Corporate bonds	5,586,257	-	-	-	5,586,257
Funds balanced	3,089,153	-	-	-	3,089,153
Closed end	250,743	-	-	-	250,743
Multi-asset fund	-	-	-	3,631,638	3,631,638
Bonds - fixed income:					
Government	359,802	-	-	-	359,802
High yield	63,232	-	-	-	63,232
Emerging market	46,253	-	-	-	46,253
Total assets at fair value	30,352,220	-	-	3,631,638	33,983,858
Cash and cash equivalents held by portfolio managers	2,116,532	-	-	-	2,116,532
Total Investments	$ 32,468,752	$ -	$ -	$ 3,631,638	$ 36,100,390

	2016				
	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value (a)	Total
Investments:					
Mutual funds:					
Equity	$ 17,835,966	$ -	$ -	$ -	$ 17,835,966
Corporate bonds	7,353,584	-	-	-	7,353,584
Funds balanced	3,281,613	-	-	-	3,281,613
Closed end	221,229	-	-	-	221,229
Multi-asset fund	-	-	-	3,241,684	3,241,684
Preferred domestic equities	35,901	-	-	-	35,901
Bonds - fixed income:					
Government	862,265	-	-	-	862,265
High yield	90,935	-	-	-	90,935
Emerging market	9,661	-	-	-	9,661
Total assets at fair value	29,691,154	-	-	3,241,684	32,932,838
Cash and cash equivalents held by portfolio managers	669,245	-	-	-	669,245
Total Investments	$ 30,360,399	$ -	$ -	$ 3,241,684	$ 33,602,083

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Investments in Entities that Calculate Net Asset Value per Share

The value of the Multi-Asset Fund is calculated using net asset value per share as provided by the fund. The fund is managed by TIFF Advisory services, Inc., and uses a multi-manager approach, hiring external money managers to manage the majority of the fund's assets. A portion of the assets are also invested in exchange-traded funds, open-end mutual funds and private investment funds (such as hedge funds). The fund's investment objective is to attain a growing stream of current income and appreciation of principal that at least offset inflation. The fund's complimentary performance objective relates to achieving a total net investment return that exceeds inflation plus 5% per annum. The balance within this investment as of June 30, 2017 and 2016, was $3,631,638 and $3,241,684, respectively. The fund is daily liquid given its structure as a mutual fund but any redemptions outside of the client's elected distribution schedule are subject to a redemption fee.

NOTE 3 - INTANGIBLE ASSETS

Intangible assets comprise the following as of June 30, 2017 and 2016:

	2017	2016
Customer relations	$ 622,000	$ 622,000
Trade name	19,000	19,000
	641,000	641,000
Less accumulated amortization	141,938	70,969
Intangibles, Net	$ 499,062	$ 570,031

A schedule of future estimated amortization expense for intangible assets at June 30, 2017 is as follows:

Year Ending June 30	
2018	$ 63,662
2019	62,200
2020	62,200
2021	62,200
2022	62,200
Thereafter	186,600
	$ 499,062

Amortization expense charged to operations was $70,969 for each of the years ended June 30, 2017 and 2016.

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets of $736,564 and $813,654 as of June 30, 2017 and 2016, respectively, are available for capital additions and programming services.

Permanently restricted net assets of $480,544 and $379,771 as of June 30, 2017 and 2016, respectively, are to be held in perpetuity, the income from which is used for temporarily restricted activities and expendable for capital additions and programming services.

NOTE 5 - 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 years ended June 30, 2017 and 2016, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - June 30, 2015	$ 34,034,172	$ 275,904	$ 379,771	$ 34,689,847
Investment return:				
Interest and dividends	485,252	8,526	-	493,778
Net depreciation (realized and unrealized)	(1,470,635)	(27,578)	-	(1,498,213)
Total investment return	(985,383)	(19,052)	-	(1,004,435)
Additions to endowment	1,656,868	-	-	1,656,868
Appropriation of endowment assets for expenditure	(2,998,402)	-	-	(2,998,402)
Trust payments	(1,540)	-	-	(1,540)
Endowment net assets - June 30, 2016	31,705,715	256,852	379,771	32,342,338
Investment return:				
Interest and dividends	631,060	15,453	-	646,513
Net appreciation (realized and unrealized)	3,225,647	67,355	-	3,293,002
Total investment return	3,856,707	82,808	-	3,939,515
Additions to endowment	1,400,157	-	100,773	1,500,930
Appropriation of endowment assets for expenditure	(2,411,823)	-	-	(2,411,823)
Trust payments	(1,540)	-	-	(1,540)
Endowment net assets - June 30, 2017	$ 34,549,216	$ 339,660	$ 480,544	$ 35,369,420

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 2017 and 2016, the spending policy was 5% of the fair value of endowment assets as of June 30, 2016 and 2015. 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 $1,585,286 and $1,708,489 in fiscal years 2017 and 2016, respectively. During the year ended June 30, 2015, the Board of Trustees approved a special draw in the amount of $2,600,000 to occur over a three-year period in order to improve the Company's digital platform. As of June 30, 2017 and 2016, $826,537 and $1,289,913, respectively, was drawn and is reported as special allocation endowment distribution on the consolidated statement of activities.

NOTE 6 - DEBT AND LINE OF CREDIT

Components of long-term debt were as follows as of June 30, 2017 and 2016:

	2017	2016
Note payable to State of Connecticut bears interest at 7.00% and is due in semi-annual installments of $37,500 plus interest, through September 2016. Collateralized by equipment. The note was paid in full as of June 30, 2017.	$ -	$ 37,500
Ford Motor Credit bears interest at 6.24% and is due in monthly installments of $791. The note was paid in full as of June 30, 2017.	-	25,958
Note payable to a bank, interest is a fluctuating rate per annum equal to either the higher of Prime or Libor plus 275 basis points (4.74% and 4.75% at June 30, 2017 and 2016, respectively) and is due in monthly installments of $5,414 through June 2025. The note payable is collateralized by equipment.	431,013	474,072
	431,013	537,530
Less current portion	45,112	92,421
	$ 385,901	$ 445,109

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

Year Ending June 30	
2018	$ 45,112
2019	47,435
2020	49,724
2021	52,206
2022	54,771
Thereafter	181,765
	$ 431,013

The Company increased its unsecured operating line of credit (the Line) to $2,000,000, which expires on November 27, 2017. The interest rate is a fluctuating rate per annum equal to either the higher of Prime rate plus 2.75% or the LIBOR rate plus 2.75%. As of June 30, 2017 and 2016, the balance bears an interest rate of 4.25% and 3.5%, respectively. The outstanding balance on the Line as of June 30, 2017 and 2016 was $825,000. The Company also maintains a letter of credit in the amount of $40,000. There is no outstanding balance on this letter of credit.

Interest expense incurred on long-term debt and the Line was $70,608 and $57,292 as of June 30, 2017 and 2016, respectively.

NOTE 7 - LEASES

The Company leases certain operating facilities under noncancelable operating leases expiring at various times through June 30, 2026. Rental expense associated with leases was $517,168 and $506,448 for the years ended June 30, 2017 and 2016, respectively.

On July 1, 2016, the Company entered into a facilities operating lease agreement with a related party. The lease has monthly rental expenses of $15,250 and is on a month-to-month basis.

Future minimum annual rental payments for the five years subsequent to June 30, 2017 and thereafter are as follows:

Year Ending June 30	
2018	$ 497,461
2019	500,529
2020	402,221
2021	316,198
2022	307,154
Thereafter	308,929
	$ 2,332,492

NOTE 8 - 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 $233,407 and $233,073 for the years ended June 30, 2017 and 2016, respectively.

In addition to the plan, the Company also provides two nonqualified deferred compensation plans for certain management personnel. Discretionary contributions of $45,830 and $45,539 were made to the plans for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 - 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, 2017 and 2016.

NOTE 10 - 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 $667,207 and $496,368 for the years ended June 30, 2017 and 2016, respectively. Purchases and other services received amounted to $888,166 and $857,029 for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, included in the accounts receivable balance was $180,324 and $99,995, respectively. In addition, included in the accounts payable balance was $75,301 and $21,531 at June 30, 2017 and 2016, respectively.

NOTE 11 - CONCENTRATIONS

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 $1,752,043 and $1,607,413 in 2017 and 2016, respectively.

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 12 - 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 13 - SUBSEQUENT EVENT

In 2017, the Company participated in the broadcast incentive auction conducted by the Federal Communications Commission (FCC) under Section 6403 of the Middle Class Tax Relief and Job Creation Act of 2012. At the conclusion of the incentive auction, the Company relinquished its spectrum usage rights for one of its television licenses in exchange for a payment from the FCC. On July 21, 2017, the Company received its payment for this license in an amount of $18,900,229.

In addition, also as part of the incentive auction, the Company will share, with an unrelated broadcaster, spectrum of another of its television licenses under a Channel-Share Agreement (CSA). Under the terms of the CSA, on July 21, 2017, the Company received $25,504,174 from its channel-share broadcast partner.

The Company's participation on the FCC's broadcast incentive auction will result in no loss of television service to our coverage areas.

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Independent Auditors' Report on Supplementary Information

We have audited the consolidated financial statements of Connecticut Public Broadcasting, Inc. and Subsidiaries as of and for the year ended June 30, 2017, and our report thereon dated September 27, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of June 30, 2017 and the consolidating statement of activities - unrestricted for the year ended June 30, 2017 are presented for purposes of additional analysis 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 27, 2017

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Connecticut Public Broadcasting Inc.	Institute for Advanced Media	Total Connecticut Public Broadcasting Inc.	Real Estate Holding Company, Inc.	MediaVision Productions Inc.	Total	Eliminations	Consolidated
ASSETS								
Current Assets								
Cash and cash equivalents	$ 260,014	$ -	$ 260,014	$ -	$ 6,259	$ 266,273	$ -	$ 266,273
Investments	623,403	-	623,403	-	-	623,403	-	623,403
Accounts receivable, net	3,604,477	-	3,604,477	-	214,589	3,819,066	-	3,819,066
Grants and other receivables	39,489	-	39,489	-	-	39,489	-	39,489
Intercompany receivable	1,309,084	-	1,309,084	-	-	1,309,084	(1,309,084)	-
Production costs	104,656	-	104,656	-	-	104,656	-	104,656
Prepaid expenses and deposits	25,082	-	25,082	-	13,343	38,425	-	38,425
Total current assets	5,966,205	-	5,966,205	-	234,191	6,200,396	(1,309,084)	4,891,312
Other Assets								
Investment in MediaVision	(713,821)	-	(713,821)	-	-	(713,821)	713,821	-
Investments held for property and equipment	107,567	-	107,567	-	-	107,567	-	107,567
Investments - endowment	35,369,420	-	35,369,420	-	-	35,369,420	-	35,369,420
Intangibles, net	-	-	-	-	499,062	499,062	-	499,062
Other investments	26,229	-	26,229	-	-	26,229	-	26,229
Total other assets	34,789,395	-	34,789,395	-	499,062	35,288,457	713,821	36,002,278
Property, Equipment, and Leasehold Improvements								
Land and improvements	764,123	-	764,123	-	-	764,123	-	764,123
Building	-	-	-	14,051,597	-	14,051,597	-	14,051,597
Equipment	33,288,943	-	33,288,943	-	-	33,288,943	-	33,288,943
Leasehold improvements	260,285	-	260,285	-	-	260,285	-	260,285
	34,313,351	-	34,313,351	14,051,597	-	48,364,948	-	48,364,948
Accumulated depreciation and amortization	(31,278,114)	-	(31,278,114)	(5,130,283)	-	(36,408,397)	-	(36,408,397)
Construction in progress	203,734	-	203,734	-	-	203,734	-	203,734
Net property, equipment and leasehold improvements	3,238,971	-	3,238,971	8,921,314	-	12,160,285	-	12,160,285
Total Assets	$ 43,994,571	$ -	$ 43,994,571	$ 8,921,314	$ 733,253	$ 53,649,138	$ (595,263)	$ 53,053,875
LIABILITIES AND NET ASSETS								
Current Liabilities								
Line of credit	$ 204,649	$ 620,351	$ 825,000	$ -	$ -	$ 825,000	$ -	$ 825,000
Current maturities of long-term debt	45,112	-	45,112	-	-	45,112	-	45,112
Accounts payable and accrued expenses	4,092,335	-	4,092,335	-	122,777	4,215,112	-	4,215,112
Intercompany payable	-	-	-	-	1,309,084	1,309,084	(1,309,084)	-
Deferred revenue	326,464	-	326,464	-	15,213	341,677	-	341,677
Total current liabilities	4,668,560	620,351	5,288,911	-	1,447,074	6,735,985	(1,309,084)	5,426,901
Long-Term Liabilities						-		
Long-term debt, less current maturities	385,901	-	385,901	-	-	385,901	-	385,901
Deferred revenue from license and funding agreements	16,927,220	-	16,927,220	-	-	16,927,220	-	16,927,220
Total long-term liabilities	17,313,121	-	17,313,121	-	-	17,313,121	-	17,313,121
Total liabilities	21,981,681	620,351	22,602,032	-	1,447,074	24,049,106	(1,309,084)	22,740,022
Net Assets (Deficit)								
Common stock	-	-	-	-	1,000	1,000	(1,000)	-
Accumulated deficit	-	-	-	-	(714,821)	(714,821)	714,821	-
Unrestricted	20,795,782	(620,351)	20,175,431	8,921,314	-	29,096,745	-	29,096,745
Temporarily restricted	736,564	-	736,564	-	-	736,564	-	736,564
Permanently restricted	480,544	-	480,544	-	-	480,544	-	480,544
Total net assets (deficit)	22,012,890	(620,351)	21,392,539	8,921,314	(713,821)	29,600,032	713,821	30,313,853
Total Liabilities and Net Assets (Deficit)	$ 43,994,571	$ -	$ 43,994,571	$ 8,921,314	$ 733,253	$ 53,649,138	$ (595,263)	$ 53,053,875

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES - UNRESTRICTED
FOR THE YEAR ENDED JUNE 30, 2017

	Connecticut Public Broadcasting Inc.	Institute for Advanced Media	Total Connecticut Public Broadcasting Inc.	Real Estate Holding Company, Inc.	MediaVision Productions Inc.	Total	Eliminations	Consolidated - Unrestricted
Revenues								
Underwriting support	$ 8,778,645	$ 107,452	$ 8,886,097	$ -	$ -	$ 8,886,097	$	$ 8,886,097
Subscription and membership income	6,788,420	-	6,788,420	-	-	6,788,420		6,788,420
Corporation for Public Broadcasting	1,944,194	-	1,944,194	-	-	1,944,194		1,944,194
Annual spending distribution	1,585,286	-	1,585,286	-	-	1,585,286		1,585,286
Video services	-	-	-	-	896,167	896,167		896,167
Auctions and special events	827,461	-	827,461	-	-	827,461		827,461
Special allocation endowment distribution	826,537	-	826,537	-	-	826,537		826,537
Planned gifts and bequests	193,435	-	193,435	-	-	193,435		193,435
Contributed in-kind support	160,984	-	160,984	-	-	160,984		160,984
Nonbroadcasting services	117,489	-	117,489	-	-	117,489		117,489
Donated personal services of volunteers	12,408	-	12,408	-	-	12,408		12,408
Miscellaneous	108,409	20,450	128,859	-	-	128,859		128,859
Total revenues	21,343,268	127,902	21,471,170	-	896,167	22,367,337	-	22,367,337
Expenses								
Program services:								
Programming and production	10,486,371	438,700	10,925,071	-	-	10,925,071		10,925,071
Broadcasting	1,854,140	-	1,854,140	-	-	1,854,140		1,854,140
Contributed in-kind support	152,053	-	152,053	-	-	152,053		152,053
Program information	1,196,514	-	1,196,514	-	-	1,196,514		1,196,514
Total program services	13,689,078	438,700	14,127,778	-	-	14,127,778	-	14,127,778
Supporting services:								
Fundraising and membership development:								
Membership development	2,572,257	-	2,572,257	-	-	2,572,257		2,572,257
Other fundraising expenses	1,111,700	-	1,111,700	-	-	1,111,700		1,111,700
Contributed in-kind support	8,931	-	8,931	-	-	8,931		8,931
Donated personal services of volunteers	12,408	-	12,408	-	-	12,408		12,408
Management and general	2,828,406	-	2,828,406	1,118	-	2,829,524		2,829,524
Total supporting services	6,533,702	-	6,533,702	1,118	-	6,534,820	-	6,534,820
Reorganization costs	283,873		283,873	-	-	283,873	-	283,873
Video services:								
Cost of production	-	-	-	-	759,969	759,969	-	759,969
General and administrative	-	-	-	-	287,809	287,809	-	287,809
Total video services	-	-	-	-	1,047,778	1,047,778	-	1,047,778
Total expenses	20,506,653	438,700	20,945,353	1,118	1,047,778	21,994,249	-	21,994,249
Equity in net loss of consolidated subsidiary	(151,611)	-	(151,611)	-	-	(151,611)	151,611	-
Change in unrestricted net assets before other activities	685,004	(310,798)	374,206	(1,118)	(151,611)	221,477	151,611	373,088
Other Activities								
Annual spending distribution	(1,585,286)	-	(1,585,286)	-	-	(1,585,286)	-	(1,585,286)
Special allocation endowment distribution	(826,537)	-	(826,537)	-	-	(826,537)	-	(826,537)
Depreciation and amortization	(1,048,166)	-	(1,048,166)	(470,428)	(70,970)	(1,589,564)	70,970	(1,518,594)
Gain on sale of property and equipment	529,598	-	529,598	-	-	529,598	-	529,598
Interest expense	(143,712)	-	(143,712)	-	(15,575)	(159,287)	15,575	(143,712)
Investment income, net	2,770,244	-	2,770,244	-	-	2,770,244	-	2,770,244
Income from licensing of intangible assets	1,354,260	-	1,354,260	-	-	1,354,260	-	1,354,260
Release of restricted assets for capital additions	287,268	-	287,268	-	-	287,268	-	287,268
Transfer of assets	(16,326)	-	(16,326)	16,326	-	-	-	-
Net nonoperating revenues and expenses	1,321,343	-	1,321,343	(454,102)	(86,545)	780,696	86,545	867,241
Change in Net Assets	2,006,347	(310,798)	1,695,549	(455,220)	(238,156)	1,002,173	238,156	1,240,329
Unrestricted Net Assets - Beginning of Year	18,789,435	(309,553)	18,479,882	9,376,534	(476,665)	27,379,751	476,665	27,856,416
Unrestricted Net Assets- End of Year	$ 20,795,782	$ (620,351)	$ 20,175,431	$ 8,921,314	$ (714,821)	$ 28,381,924	$ 714,821	$ 29,096,745