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CONNECTICUT PUBLIC BROADCASTING, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 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 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Public Broadcasting, Inc. and Subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 15, 2018

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 393,375	$ 266,273
Investments	1,624,034	623,403
Accounts receivable, net	3,449,020	3,819,066
Grants and other receivables	39,860	39,489
Production costs	71,949	104,656
Prepaid expenses and deposits	90,875	38,425
Total current assets	5,669,113	4,891,312
Other Assets		
Investments held for property and equipment	842,327	107,567
Investments - endowment	47,530,946	35,369,420
Intangibles, net	435,400	499,062
Other investments	26,229	26,229
Total other assets	48,834,902	36,002,278
Property, Equipment and Leasehold Improvements		
Land and improvements	764,123	764,123
Building	14,051,597	14,051,597
Equipment	33,582,531	33,288,943
Leasehold improvements	379,498	260,285
	48,777,749	48,364,948
Accumulated depreciation and amortization	(38,129,267)	(36,408,397)
Construction in progress	434,387	203,734
Net property, equipment and leasehold improvements	11,082,869	12,160,285
Total Assets	$ 65,586,884	$ 53,053,875
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	$ -	$ 825,000
Current maturities of long-term debt	-	45,112
Accounts payable and accrued expenses	3,503,379	4,215,112
Deferred revenue	158,399	341,677
Total current liabilities	3,661,778	5,426,901
Long-Term Liabilities		
Long-term debt, less current maturities	-	385,901
Deferred revenue from license and funding agreements	-	16,927,220
Total long-term liabilities	-	17,313,121
Total liabilities	3,661,778	22,740,022
Net Assets		
Unrestricted	60,729,550	29,096,745
Temporarily restricted	715,012	736,564
Permanently restricted	480,544	480,544
Total net assets	61,925,106	30,313,853
Total Liabilities and Net Assets	$ 65,586,884	$ 53,053,875

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Underwriting support	$ 9,331,740	$ -	$ -	$ 9,331,740
Subscription and membership income	7,254,386	-	-	7,254,386
Corporation for Public Broadcasting	1,792,646	-	-	1,792,646
Annual spending distribution	1,727,461	-	-	1,727,461
Video services	940,683	-	-	940,683
Auctions and special events	438,406	-	-	438,406
Planned gifts and bequests	131,561	-	-	131,561
Contributed in-kind support	165,813	-	-	165,813
Nonbroadcasting services	109,982	-	-	109,982
Donated personal services of volunteers	14,147	-	-	14,147
Miscellaneous	55,297	-	-	55,297
Total revenues	21,962,122	-	-	21,962,122
Expenses				
Program services:				
Programming and production	10,664,036	-	-	10,664,036
Broadcasting	1,648,998	-	-	1,648,998
Contributed in-kind support	155,170	-	-	155,170
Program information	1,187,901	-	-	1,187,901
Total program services	13,656,105	-	-	13,656,105
Supporting services:				
Fundraising and membership development				
Membership development	2,851,606	-	-	2,851,606
Other fundraising expenses	993,527	-	-	993,527
Contributed in-kind support	10,643	-	-	10,643
Donated personal services of volunteers	14,147	-	-	14,147
Management and general	2,898,395	-	-	2,898,395
Total supporting services	6,768,318	-	-	6,768,318
Reorganization costs	2,464	-	-	2,464
Video services				
Cost of production	680,122	-	-	680,122
General and administrative	141,072	-	-	141,072
Total video services	821,194	-	-	821,194
Total expenses	21,248,081	-	-	21,248,081
Change in net assets before other activities	714,041	-	-	714,041
Other Activities				
Annual spending distribution	(1,727,461)	-	-	(1,727,461)
Depreciation and amortization	(1,784,532)	-	-	(1,784,532)
Interest expense	(41,407)	-	-	(41,407)
Bargain purchase	75,222	-	-	75,222
Income from Channel Sharing Agreement, net of expenses	23,980,902	-	-	23,980,902
Income from relinquishment of television spectrum usage rights, net of expenses	6,484,810	-	-	6,484,810
Investment income, net	2,261,473	55,079	-	2,316,552
Income from licensing of intangible assets	1,354,260	-	-	1,354,260
Contributions restricted for capital additions	-	238,866	-	238,866
Release of restricted assets for capital additions	315,497	(315,497)	-	-
Net nonoperating revenues and expenses	30,918,764	(21,552)	-	30,897,212
Change in Net Assets	31,632,805	(21,552)	-	31,611,253
Net Assets - Beginning of Year	29,096,745	736,564	480,544	30,313,853
Net Assets - End of Year	$ 60,729,550	$ 715,012	$ 480,544	$ 61,925,106

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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 31,611,253	$ 1,264,012
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,784,532	1,518,594
Change in provision for accounts receivable	(1,703)	51,636
Change in provision on merchandise inventory	(314)	386
Contributions restricted for capital additions	(238,866)	(129,691)
Gain on sale of property and equipment	-	(529,598)
Investment income, net	(2,316,552)	(2,850,731)
Bargain purchase of intangibles	(75,222)	-
(Increase) decrease in operating assets:		
Accounts receivable, net	371,749	(640,124)
Grants and other receivables	(371)	120
Merchandise inventory	314	(386)
Production costs	32,707	262,495
Prepaid expenses and deposits	(52,450)	(11,344)
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(711,733)	(70,964)
Deferred revenue	(17,110,498)	(152,828)
Net cash provided by (used in) operating activities	13,292,846	(1,288,423)
Cash Flows from Investing Activities		
Purchases of securities	(19,137,360)	(3,439,167)
Sales of securities	7,556,995	3,791,591
Purchase of intangibles	75,222	-
Proceeds on license of intangible assets and funding agreement, net	-	1,097,173
Proceeds from sale of property and equipment	-	529,598
Property, equipment and leasehold improvement additions	(643,454)	(618,784)
Net cash provided by (used in) investing activities	(12,148,597)	1,360,411
Cash Flows from Financing Activities		
Payment on line of credit, net	(825,000)	-
Principal payments on debt	(431,013)	(106,517)
Contributions restricted for capital additions	238,866	129,691
Net cash provided by (used in) financing activities	(1,017,147)	23,174
Net Increase in Cash and Cash Equivalents	127,102	95,162
Cash and Cash Equivalents - Beginning of Year	266,273	171,111
Cash and Cash Equivalents - End of Year	$ 393,375	$ 266,273
Cash Paid During the Year for		
Interest	$ 41,408	$ 145,900

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, 2018 and 2017, 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.

Revenue from Channel Sharing and Spectrum Rights

In 2017, the Company participated in the broadcast incentive auction conducted by the Federal Communications Commission (FCC). 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. For the year ended June 30, 2018, income, net of transaction costs, of $6,484,810 and $23,980,902 were recognized for these transactions and are shown in the consolidated statement of activities.

Prior to the broadcast incentive auction, an unrelated third party provided the Company with upfront funding which was received and invested within the endowment investment portfolio and reported as deferred revenue. As of June 30, 2017, total deferred revenue was $16,927,220, representing amounts received as well as accumulated earnings.

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, net income from broadcast incentive auction, 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, 2018, MediaVision Productions, Inc., has available federal net operating loss carryforwards of approximately $429,600 with no expiration, and state net operating loss carryforwards of approximately $210,400 expiring through 2037. Deferred tax assets aggregated $156,480 and $187,760 at June 30, 2018 and 2017, 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 2018 or 2017. In addition, as a result of the decrease in the valuation allowance of $31,279 during 2018 and increase in the valuation allowance of $72,484 during 2017, 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 October 15, 2018, which is the date the consolidated financial statements were available to be issued.

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.

Hedge Funds
This includes investments in long and short global equities. Interests in hedge funds are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date.

There have been no changes in the methodologies used at June 30, 2018 and 2017.

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, 2018 and 2017:

	2018				
	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value (a)	Total
Investments:					
Mutual funds:					
Equity	$ 30,766,608	$ -	$ -	$ -	$ 30,766,608
Corporate bonds	8,643,227	-	-	-	8,643,227
Funds balanced	1,720	-	-	-	1,720
Closed end	371,490	-	-	-	371,490
Multi-asset fund	-	-	-	3,893,196	3,893,196
Hedge fund	-	-	-	2,373,031	2,373,031
Bonds - fixed income:					
Government	898,524	-	-	-	898,524
High yield	168,433	-	-	-	168,433
Emerging market	77,361	-	-	-	77,361
Total assets at fair value	40,927,363	-	-	6,266,227	47,193,590
Cash and cash equivalents held by portfolio managers	2,803,717	-	-	-	2,803,717
Total Investments	$ 43,731,080	$ -	$ -	$ 6,266,227	$ 49,997,307

	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

(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 fund is liquid and allows for daily redemptions given its structure as a mutual fund but any redemptions outside of the client's elected distribution schedule are subject to a redemption fee.

The fair values of the investments in Hedge Funds have been estimated using the net asset value per share as provided by the hedge fund managers. The investments are subject to a redemption restriction of quarterly liquidation with 60 days notice after a 1-year lock-up period. The fund's investment objective is to seek capital appreciation by allocating its assets among a select group of private investment funds (commonly known as hedge funds) that utilize a variety of alternative investment strategies that seek to produce an attractive absolute return on invested capital, largely independent of the various benchmarks associated with traditional asset classes.

NOTE 3 - INTANGIBLE ASSETS

Intangible assets comprise the following as of June 30, 2018 and 2017:

	2018	2017
Customer relations	$ 622,000	$ 622,000
Trade name	19,000	19,000
	641,000	641,000
Less accumulated amortization	205,600	141,938
Intangibles, Net	$ 435,400	$ 499,062

A schedule of future estimated amortization expense for intangible assets at June 30, 2018 is as follows:

Year Ending June 30	
2019	$ 62,200
2020	62,200
2021	62,200
2022	62,200
2023	62,200
Thereafter	124,400
	$ 435,400

Amortization expense charged to operations was $63,662 and 70,969 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets of $715,012 and $736,564 as of June 30, 2018 and 2017, respectively, are available for capital additions and programming services.

Permanently restricted net assets of $480,544 as of June 30, 2018 and 2017, are to be held in perpetuity, the income from which is used 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, 2018 and 2017, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 depreciation (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
Investment return:				
Interest and dividends	1,206,991	21,949	-	1,228,940
Net appreciation (realized and unrealized)	845,675	28,551	-	874,226
Total investment return	2,052,666	50,500	-	2,103,166
Additions to endowment	11,787,361	-	-	11,787,361
Appropriation of endowment assets for expenditure	(1,727,461)	-	-	(1,727,461)
Trust payments	(1,540)	-	-	(1,540)
Endowment net assets - June 30, 2018	$ 46,660,242	$ 390,160	$ 480,544	$ 47,530,946

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 2018 and 2017, the spending policy was 5% of the fair value of endowment assets as of June 30, 2017 and 2016. 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 $1,727,461 and $1,585,286 in fiscal years 2018 and 2017, 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, 2018 and 2017, $-0- and $826,537, respectively, was drawn and is reported as special allocation endowment distribution on the consolidated statement of activities.

NOTE 6 - DEBT AND LINE OF CREDIT

Long-term debt as of June 30, 2017 is comprised of one note payable to a bank with an outstanding balance of $431,013. Interest on this note is determined based upon a fluctuating rate per annum equal to either the higher of Prime or Libor plus 275 basis points. The rate as of June 30, 2017 was 4.74%. Under the terms of the agreement, payments in the amount of $5,414 are due monthly through June 2025 and the note is collateralized by equipment of the Company. During the year ended June 30, 2018, this note was repaid in full.

The Company increased its unsecured operating line of credit (the Line) to $2,000,000, which expires on December 31, 2019. 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, 2018 and 2017, the balance bears an interest rate of 4.74% and 4.25%, respectively. There was no outstanding balance on the Line as of June 30, 2018. The outstanding balance on the Line as of June 30, 2017 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 $37,177 and $70,608 as of June 30, 2018 and 2017, respectively.

NOTE 7 - LEASES

The Company leases certain operating facilities under noncancelable operating leases expiring at various times through December 31, 2034. Rental expense associated with leases was $440,799 and $517,168 for the years ended June 30, 2018 and 2017, 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. The Company exited this lease as of July 2017.

Future minimum annual rental payments for the five years subsequent to June 30, 2018 and thereafter are as follows:

Year Ending June 30		
2019	$	356,383
2020		406,907
2021		318,095
2022		309,555
2023		98,420
Thereafter		223,280
	$	1,712,640

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 $228,727 and $233,407 for the years ended June 30, 2018 and 2017, respectively.

In addition to the plan, the Company also provides two nonqualified deferred compensation plans for certain management personnel. Discretionary contributions of $46,560 and $45,830 were made to the plans for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

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 $1,025,881 and $667,207 for the years ended June 30, 2018 and 2017, respectively. Purchases and other services received amounted to $594,447 and $888,166 for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, included in the accounts receivable balance was $277,819 and $180,324, respectively. In addition, included in the accounts payable balance was $44,678 and $75,301 at June 30, 2018 and 2017, 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 $1,529,984 and $1,752,043 in 2018 and 2017, 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.

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Independent Auditors' Report on Supplementary Information

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

We have audited the consolidated financial statements of Connecticut Public Broadcasting, Inc. and Subsidiaries as of and for the years ended June 30, 2018 and 2017, and our report thereon dated October 15, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were 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, 2018 and the consolidating statement of activities - unrestricted for the year ended June 30, 2018 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
October 15, 2018

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	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	$ 316,454	$ -	$ 316,454	$ -	$ 76,921	$ 393,375	$ -	$ 393,375
Investments	1,624,034	-	1,624,034	-	-	1,624,034	-	1,624,034
Accounts receivable, net	3,251,071	-	3,251,071	-	197,949	3,449,020	-	3,449,020
Grants and other receivables	39,860	-	39,860	-	-	39,860	-	39,860
Intercompany receivable	1,277,371	-	1,277,371	-	-	1,277,371	(1,277,371)	-
Production costs	71,949	-	71,949	-	-	71,949	-	71,949
Prepaid expenses and deposits	77,532	-	77,532	-	13,343	90,875	-	90,875
Total current assets	6,658,271	-	6,658,271	-	288,213	6,946,484	(1,277,371)	5,669,113
Other Assets								
Investment in MediaVision	(582,772)	-	(582,772)	-	-	(582,772)	582,772	-
Investments held for property and equipment	842,327	-	842,327	-	-	842,327	-	842,327
Investments - endowment	47,530,946	-	47,530,946	-	-	47,530,946	-	47,530,946
Intangibles, net	-	-	-	-	435,400	435,400	-	435,400
Other investments	26,229	-	26,229	-	-	26,229	-	26,229
Total other assets	47,816,730	-	47,816,730	-	435,400	48,252,130	582,772	48,834,902
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	33,582,531	-	33,582,531	-	-	33,582,531	-	33,582,531
Leasehold improvements	379,498	-	379,498	-	-	379,498	-	379,498
	34,726,152	-	34,726,152	14,051,597	-	48,777,749	-	48,777,749
Accumulated depreciation and amortization	(32,527,779)	-	(32,527,779)	(5,601,488)	-	(38,129,267)	-	(38,129,267)
Construction in progress	434,387	-	434,387	-	-	434,387	-	434,387
Net property, equipment and leasehold improvements	2,632,760	-	2,632,760	8,450,109	-	11,082,869	-	11,082,869
Total Assets	$ 57,107,761	$ -	$ 57,107,761	$ 8,450,109	$ 723,613	$ 66,281,483	$ (694,599)	$ 65,586,884
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable and accrued expenses	$ 2,706,962	$ 767,403	$ 3,474,365	$ -	$ 29,014	$ 3,503,379	$ -	$ 3,503,379
Intercompany payable	-	-	-	-	1,277,371	1,277,371	(1,277,371)	-
Deferred revenue	158,399	-	158,399	-	-	158,399	-	158,399
Total liabilities	2,865,361	767,403	3,632,764	-	1,306,385	4,939,149	(1,277,371)	3,661,778
Net Assets (Deficit)								
Common stock	-	-	-	-	1,000	1,000	(1,000)	-
Accumulated deficit	-	-	-	-	(583,772)	(583,772)	583,772	-
Unrestricted	53,046,844	(767,403)	52,279,441	8,450,109	-	60,729,550	-	60,729,550
Temporarily restricted	715,012	-	715,012	-	-	715,012	-	715,012
Permanently restricted	480,544	-	480,544	-	-	480,544	-	480,544
Total net assets (deficit)	54,242,400	(767,403)	53,474,997	8,450,109	(582,772)	61,342,334	582,772	61,925,106
Total Liabilities and Net Assets (Deficit)	$ 57,107,761	$ -	$ 57,107,761	$ 8,450,109	$ 723,613	$ 66,281,483	$ (694,599)	$ 65,586,884

CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES - UNRESTRICTED
FOR THE YEAR ENDED JUNE 30, 2018

	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	$ 9,079,740	$ 252,000	$ 9,331,740	$ -	$ -	$ 9,331,740	$ -	$ 9,331,740
Subscription and membership income	7,254,386	-	7,254,386	-	-	7,254,386	-	7,254,386
Corporation for Public Broadcasting	1,792,646	-	1,792,646	-	-	1,792,646	-	1,792,646
Annual spending distribution	1,727,461	-	1,727,461	-	-	1,727,461	-	1,727,461
Video services	-	-	-	-	940,683	940,683	-	940,683
Auctions and special events	438,406	-	438,406	-	-	438,406	-	438,406
Planned gifts and bequests	131,561	-	131,561	-	-	131,561	-	131,561
Contributed in-kind support	165,813	-	165,813	-	-	165,813	-	165,813
Nonbroadcasting services	109,982	-	109,982	-	-	109,982	-	109,982
Donated personal services of volunteers	14,147	-	14,147	-	-	14,147	-	14,147
Miscellaneous	50,172	5,125	55,297	-	-	55,297	-	55,297
Total revenues	20,764,314	257,125	21,021,439	-	940,683	21,962,122	-	21,962,122
Expenses								
Program services:								
Programming and production	10,259,859	404,177	10,664,036	-	-	10,664,036	-	10,664,036
Broadcasting	1,648,998	-	1,648,998	-	-	1,648,998	-	1,648,998
Contributed in-kind support	155,170	-	155,170	-	-	155,170	-	155,170
Program information	1,187,901	-	1,187,901	-	-	1,187,901	-	1,187,901
Total program services	13,251,928	404,177	13,656,105	-	-	13,656,105	-	13,656,105
Supporting services:								
Fundraising and membership development:								
Membership development	2,851,606	-	2,851,606	-	-	2,851,606	-	2,851,606
Other fundraising expenses	993,527	-	993,527	-	-	993,527	-	993,527
Contributed in-kind support	10,643	-	10,643	-	-	10,643	-	10,643
Donated personal services of volunteers	14,147	-	14,147	-	-	14,147	-	14,147
Management and general	2,898,395	-	2,898,395	-	-	2,898,395	-	2,898,395
Total supporting services	6,768,318	-	6,768,318	-	-	6,768,318	-	6,768,318
Reorganization costs	2,464		2,464	-	-	2,464	-	2,464
Video services:								
Cost of production	-	-	-	-	680,122	680,122	-	680,122
General and administrative	-	-	-	-	141,072	141,072	-	141,072
Total video services	-	-	-	-	821,194	821,194	-	821,194
Total expenses	20,022,710	404,177	20,426,887	-	821,194	21,248,081	-	21,248,081
Equity in net income of consolidated subsidiary	119,489	-	119,489	-	-	119,489	(119,489)	-
Change in unrestricted net assets before other activities	861,093	(147,052)	714,041	-	119,489	833,530	(119,489)	714,041
Other Activities								
Annual spending distribution	(1,727,461)	-	(1,727,461)	-	-	(1,727,461)	-	(1,727,461)
Depreciation and amortization	(1,313,327)	-	(1,313,327)	(471,205)	(63,662)	(1,848,194)	63,662	(1,784,532)
Interest expense	(41,407)	-	(41,407)	-	-	(41,407)	-	(41,407)
Bargain purchase	75,222	-	75,222	-	75,222	150,444	(75,222)	75,222
Income from Channel Sharing Agreement, net of expenses	23,980,902	-	23,980,902	-	-	23,980,902	-	23,980,902
Income from relinquishment of television spectrum usage rights, net of expenses	6,484,810	-	6,484,810	-	-	6,484,810	-	6,484,810
Investment income, net	2,261,473	-	2,261,473	-	-	2,261,473	-	2,261,473
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	315,497	-	315,497	-	-	315,497	-	315,497
Net nonoperating revenues and expenses	31,389,969	-	31,389,969	(471,205)	11,560	30,930,324	(11,560)	30,918,764
Change in Net Assets	32,251,062	(147,052)	32,104,010	(471,205)	131,049	31,763,854	(131,049)	31,632,805
Unrestricted Net Assets - Beginning of Year	20,795,782	(620,351)	20,175,431	8,921,314	(714,821)	28,381,924	714,821	29,096,745
Unrestricted Net Assets- End of Year	$ 53,046,844	$ (767,403)	$ 52,279,441	$ 8,450,109	$ (583,772)	$ 60,145,778	$ 583,772	$ 60,729,550