

Montana PBS A Public Television Entity
Operated By The Montana University System

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2015 and 2014

Prepared by

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MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
June 30, 2015 and 2014

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MONTANAPBS
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
Management's Discussion and Analysis
June 30, 2015 and 2014

INTRODUCTION

The management's discussion and analysis (MD&A) introduces the basic financial statements and provides an overview of MontanaPBS's financial position and activities for the fiscal years ended June 30, 2015 and 2014. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. Because the stations are component units of the Montana University System (a State agency), they are required to report under these GASB guidelines.

The MD&A emphasizes the current year and identifies any economic or financial factors which could have a significant impact on future operations. This discourse has been prepared by management and should be read in conjunction with the financial statements and footnotes following this section.

MontanaPBS (collectively referred to as the "Station") is a partnership of two non-commercial television stations licensed to the Montana University System which include KUSM-TV Bozeman, (operated by Montana State University), and KUFM-TV Missoula (operated by the University of Montana). The Station provides public television services through the acquisition, production and delivery of high-quality television to residents of Montana. A related fund raising entity, Friends of MontanaPBS, Inc. ("Friends"), is a not-for-profit Montana corporation that provides financial support, promotes positive community relations and provides certain administrative services to MontanaPBS. Readers may also wish to refer to the separately issued financial statements of Friends for further information.

USING THE FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the basic financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; and the notes to the financial statements. In addition to the financial statements, the MD&A is included as required supplementary information.

The financial statements are prepared using the accrual basis of accounting, wherein revenues are recognized when services are provided and expenses are recognized when goods or services are received, regardless of when cash is exchanged.

FINANCIAL HIGHLIGHTS AND ANALYSIS

As compared with June 30, 2014, the Station saw its overall financial position decline by \$898,474. The decline resulted from implementation of Statement of Governmental Accounting Standard Number 68, *Accounting and Financial Reporting for Pensions*. In past years, pension expense was recorded based on the level of contributions made into retirement plans, and was shown in the Compensation and Benefits line in the accompanying financial statements. In 2015, pension expense is reported separately and is based on changes in the net pension liability and related deferred inflows and outflows, rather than based on contributions made. See Note G to the accompanying financial statements for additional information. This adjustment of \$898,474 was offset by a current year contribution to position of \$58,617. Several items contributed to this change, including an increase in donations from the Friends of MontanaPBS, as well as recording of deferred outflows in accordance with GASB 68.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

In fiscal year 2014, the Station saw its overall financial position decline by \$744,972, or approximately 21%, primarily due to a decrease in non-operating revenue of \$641,570. Notably, contributions from the Friends of MontanaPBS and Federal grants and contracts for capital projects declined by \$197,125 and \$515,071, respectively. Operating expenses also saw a modest increase of \$165,949, or approximately 3%.

Statement of Net Position

The Statement of Net Position reflects the financial position of MontanaPBS as of the end of the fiscal year. The difference between total assets and total liabilities (net position) is one indicator of whether the overall financial condition of an entity has improved or worsened during the year.

A summary of the Statements of Net Position is as follows at June 30:

	2015	2014	2013
ASSETS			
Total current assets	\$ 1,661,244	\$ 1,204,616	\$ 1,024,664
Capital assets, net	2,163,782	2,605,617	3,307,203
Total other non-current assets	9,909	8,426	7,361
Total Assets	\$ 3,834,935	\$ 3,818,659	\$ 4,339,228
DEFERRED OUTFLOWS			
	113,165	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	3,948,100	3,818,659	4,339,228
LIABILITIES			
Total current liabilities	\$ 557,055	\$ 482,710	\$ 351,544
Total non-current liabilities	1,383,280	610,815	517,578
Total Liabilities	1,940,335	1,093,525	869,122
DEFERRED INFLOWS			
	\$ 181,105	-	-
NET POSITION			
Invested in capital assets, net of related debt	2,131,483	2,564,978	3,303,156
Unrestricted	(304,823)	160,156	166,950
Total Net Position	1,826,660	2,725,134	3,470,106
TOTAL LIABILITIES, DEFERRED INFLOWS			
AND NET POSITION	\$ 3,948,100	\$ 3,818,659	\$ 4,339,228

Events or developments which occurred during 2015 include:

- Current assets increased by \$456,628, due for the most part to an increase in cash and cash equivalents of \$475,633, offset by a decline in accounts receivable of \$16,080. The increase in cash and cash equivalents can be attributed primarily to an overall decline in cash expenditures in FY15.
- Capital assets declined by \$441,835 in FY15, primarily because additions to capital assets of \$64,450 were more than offset by an increase in accumulated depreciation of \$506,285.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Total liabilities increased by \$846,810 in FY15 due primarily to increases in net pension liabilities. The increase in net pension liability of \$725,145 is the increase in the pension obligation calculated in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*. The Stations pension amounts are reported on the Statement of Net Position as net pension liabilities as well as related deferred outflows and deferred inflows. See Note G to the financial statements for more information on pensions. The increase in the postemployment benefits (OPEB) liability (\$37,996) is the increase in the OPEB obligation calculated in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- The decrease in net position of \$433,495 in FY15 is due primarily to a \$441,835 decrease in invested in capital assets, net of related debt. This decrease was largely because capital asset acquisitions of \$64,450 were exceeded by depreciation and amortization expense of \$506,285. The FY15 beginning net position was restated to record the other postemployment benefit liability for pensions. The total of this restatement was a decrease in reported beginning net position of \$839,857.

Events or developments which occurred during 2014 include:

- Current assets increased by \$179,952, due for the most part to an increase in cash and cash equivalents of \$260,044, offset by a decline in grants receivable of \$83,918. The increase in cash and cash equivalents can be attributed primarily to a modest increase in cash received from revenue sources and an overall decline in expenditures in FY14. The decline in receivables was due to less grant and contract activity during the year.
- Capital assets decline by \$701,586 in FY14, primarily because additions to capital assets of \$92,378 were more than offset by an increase in accumulated depreciation of \$725,832.
- Total liabilities increased by \$224,403 in FY14 due primarily to increases in deferred revenue (\$85,793), compensated absences (\$82,378) and OPEB liability (\$45,764). The increase in the postemployment benefits (OPEB) liability is the increase in the OPEB obligation calculated in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- The decrease in net position of \$744,972 in FY14 is due primarily to a \$738,178 decrease in invested in capital assets, net of related debt. This decrease was largely because capital asset acquisitions of \$92,378 were exceeded by depreciation and amortization expense of \$725,832. The FY14 beginning net position was restated to correct the other postemployment benefit liability balance and eliminate amounts recorded as investments which were not assets of the Stations. The total of these corrections was a decrease in reported net position of \$50,630.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

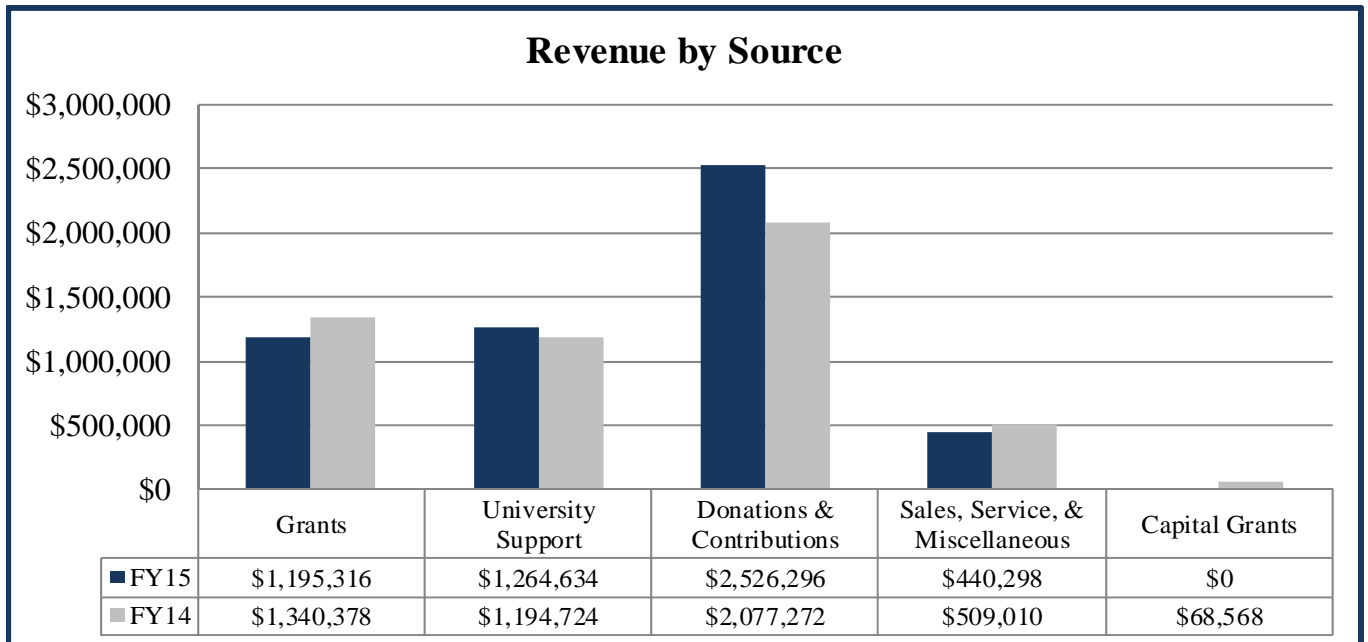
Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the revenues earned and the expenses incurred during the year on a full accrual basis. In accordance with GASB, revenues and expenses are classified as either operating or non-operating. Operating revenues and expenses are the inflows or uses of funds related directly to fulfilling the entity's purpose (i.e. providing public television services). Non-operating revenues are revenues earned for which goods or services are not provided and include grants from CPB, support from the Montana University System, grant and contract revenue, and contributions from Friends. Other revenues and expenses include capital grants and gifts, and investment earnings. The FY13 operating expenses and beginning net position were restated because of a correction to the other postemployment liability.

A summary of the Statements of Revenues, Expenses and Changes in Net Position is as follows at June 30:

	2015	2014	2013
Operating revenue	\$ 396,089	\$ 452,798	\$ 417,773
Operating expenses	5,484,570	5,934,641	5,768,692
Operating loss	(5,088,481)	(5,481,843)	(5,350,919)
Non-operating revenues	5,028,236	4,659,281	4,711,719
Capital contributions and other items	1,628	77,590	657,688
Net increase (decrease) in net position	(58,617)	(744,972)	18,488
Net position, beginning of year, as previously reported	2,725,134	3,470,106	3,400,988
Net position, prior period adjustment	(839,857)	-	50,630
Net position, end of year	<u>\$ 1,826,660</u>	<u>\$ 2,725,134</u>	<u>\$ 3,470,106</u>

The following chart provides a graphical representation of revenues by source for fiscal years 2015 and 2014:



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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

Events or developments which occurred during 2015 include:

- Operating revenues decreased in FY15 by \$56,709 due largely to a \$36,715 decrease in sales and service revenue. Contract production revenue also decreased in the amount of \$21,134. Smaller decreases to other revenue classifications account for the remaining decrease in operating revenues.
- The decrease in operating expenses of \$450,071 is due largely to decreases in depreciation and station supplies which includes minor equipment of \$219,547 and \$112,590, respectively. Other increases and decreases also contributed to the change.
- Non-operating revenue increased in total in FY15 by \$293,301, primarily because of an increase in contributions from Friends of MontanaPBS of \$196,563. The resulting increase was due to an increase in appropriations for operations from the Montana University System of \$69,710 and other contributions of \$99,107.
- For additional analysis, the notes to the financial statements also present operating expenses in functional groups. Functional expenses include salaries and benefits, services and supplies, repairs and maintenance, rent, public broadcasting dues and other occupancy costs as well as depreciation and amortization.

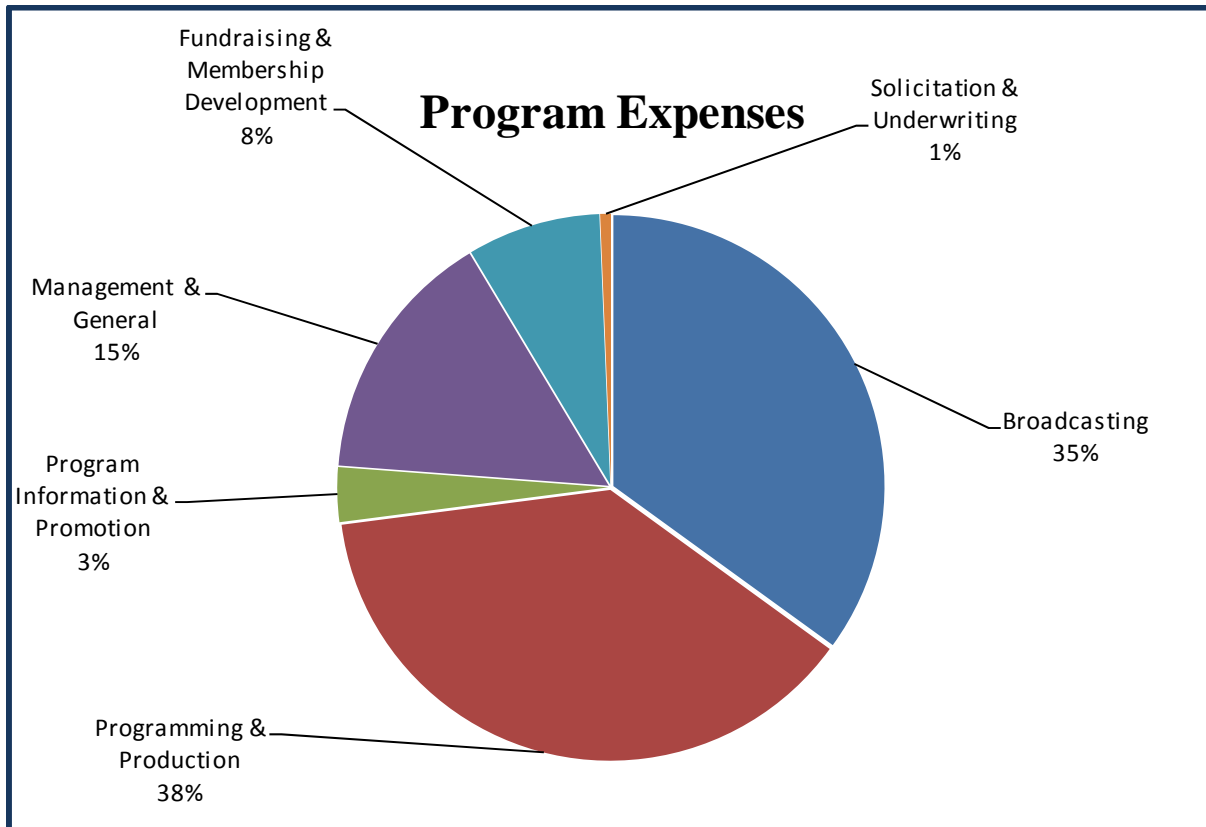
Events or developments which occurred during 2014 include:

- Operating revenues increased in FY14 by \$35,025 due largely to a \$23,569 increase in sales and service revenue. Smaller increases to other revenue classifications account for the remaining increase in operating revenues.
- The increase in operating expenses of \$165,949 is due largely to increases in salaries and benefits and public broadcasting dues of \$272,968 and \$67,170, respectively. The increase in salaries and benefits was due primarily to a scheduled wage increase for qualifying employees in FY14. A reduction in contracted and other service expense of \$132,350 offset in part the above increases to operating expenses.
- Non-operating revenue, and capital grants and other items decreased in total by \$632,536, primarily because of a decrease in contributions from Friends of MontanaPBS of \$197,125 and a \$515,071 decline in federal grant and contract revenue for capital projects. In FY13, the Station received a large onetime only contribution from Friends of MontanaPBS and Federal funding for major capital projects of \$583,639. The capital projects were largely completed at the end of the FY13, and no significant capital projects were undertaken in FY14.
- For additional analysis, the notes to the financial statements also present operating expenses in functional groups. Functional expenses include salaries and benefits, services and supplies, repairs and maintenance, rent, public broadcasting dues and other occupancy costs as well as depreciation and amortization.
- For additional analysis, the notes to the financial statements also present operating expenses in functional groups. Functional expenses include salaries and benefits, services and supplies, repairs and maintenance, rent, public broadcasting dues and other occupancy costs as well as depreciation and amortization.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

The following chart provides a graphical representation of each program expense as a percentage of total operating expenses for fiscal year 2015:



Statement of Cash Flows

The Statement of Cash Flows provides additional information about the Station's financial results by reporting the major sources and uses of cash. This statement aids in assessing the Stations' ability to a) meet obligations and commitments as they become due, b) generate future cash flows, and c) recognize the need for external financing.

A summary of the Statements of Cash Flows is as follows at June 30:

	2015	2014	2013
CASH PROVIDED BY (USED IN)			
Operating activities	\$ (3,673,350)	\$ (3,632,355)	\$ (3,617,158)
Noncapital financing activities	4,220,145	3,867,421	3,805,746
Capital and related financing activities	(73,381)	19,056	195,583
Investing activities	2,219	5,922	5,307
Net change in cash and cash equivalents	475,633	260,044	389,478
Cash and cash equivalents – beginning of year	1,094,577	834,533	445,055
Cash and cash equivalents – end of year	<u>\$ 1,570,210</u>	<u>\$ 1,094,577</u>	<u>\$ 834,533</u>

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

Events or developments which occurred during 2015 include:

- Cash used in operating activities totaled \$3,673,350, which was comparable to the prior year. The operating loss on an accrual basis of \$5,088,481 is adjusted for noncash operating activities including: depreciation expense of \$506,285; indirect university support of \$890,609; and net decrease in the OPEB liability of \$76,716.
- In FY15, cash provided from noncapital financing activities, which totaled \$4,220,145, was primarily from contributions from Friends of MontanaPBS of \$1,229,539, state appropriations of \$1,264,634 and grants and contracts of \$1,328,592. The total amount of cash provided from noncapital financing activities was slightly higher than in the prior year.
- Cash provided by capital and related financing activities amounted to a decrease in funds of \$73,381. The net decrease in cash was primarily due to funds used to purchase \$70,359 of capital assets. Net cash used in capital and related financing activities declined by \$92,437 compared to FY14.

Events or developments which occurred during 2014 include:

- Cash used in operating activities totaled \$3,632,355, which was comparable to the prior year. The operating loss on an accrual basis of \$5,481,843 is adjusted for noncash operating activities including: depreciation expense of \$725,832; indirect university support of \$922,994; increase in compensated absences liability of \$82,377; and net increase in the OPEB liability of \$45,762.
- In FY14, cash provided from noncapital financing activities, which totaled \$3,867,421, was primarily from contributions from Friends of MontanaPBS of \$1,020,655, state appropriations of \$1,194,724 and grants and contracts of \$1,391,757. The total amount of cash provided from noncapital financing activities was slightly higher than in the prior year.
- Cash provided by capital and related financing activities amounted to \$19,056. The net increase in cash was primarily due to funds received from capital grants and gifts of \$68,568, which were used to purchase \$52,044 of capital assets. Net cash used in capital and related financing activities declined by \$176,527 compared to FY13.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

ECONOMIC OUTLOOK

- Overall, MontanaPBS' current financial position is positive and management remains optimistic that the organization is positioned for continued growth, improved service, and financial stability.
- Station management remains focused on strengthening philanthropic giving and maintaining sustainable operating budgets. Membership revenue continues to increase at a rate higher than the average public television station. However, management expects new membership activity to grow more slowly over the next four year period as service-area expansion stabilizes. New growth will have to come from utilizing better practices, not expanded audience.
- Station management continues to monitor performance in all areas of development, including major and planned giving initiatives. Recent changes in vendors for development services, including direct-mail, continue to show good results and increased revenues. Additionally, staff reorganization has resulted in more resources being applied to major and planned giving, which has already shown results and has great promise.
- The slowly recovering economy has resulted in a better non-profit climate overall, which is contributing to station development growth. If this trend continues, management expects that maintaining current growth rates over the next few years should be possible.
- PBS dues have stabilized for now, and the increases of past years have been absorbed into station budgets. However, increases in personnel costs due to state salary adjustments, and increases in healthcare benefits costs are presenting new draws on station budgets.
- The financial health of the stations can be directly affected by the overall health of their licensees. Currently, the University of Montana is grappling with enrollment related budget challenges. Cuts in university budgets have impacted operating support for the station, and have the potential for additional negative impacts.
- Station management remains concerned about infrastructure replacement and growth. The stations are taking a multifaceted approach to infrastructure projects, developing philanthropic funding sources, incorporating infrastructure costs into production and operating budgets, and utilizing the state's "InterCap" loan program to amortize project costs over time.
- An additional concern in the coming years is the pending FCC auction of broadcast spectrum. It is clear that Montana markets will not have an opportunity to gain financially from the auction process, and will likely see, instead, some negative impacts. In particular, management is concerned about unfunded costs related to translators that may fall on the stations to cover. Additionally, it is possible that the nationwide auction process could result in the loss of PBS services in some markets, which would weaken the system, and in turn could have a negative effect on MontanaPBS.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MontanaPBS
A Public Television Entity
Operated by the Montana University System
Bozeman, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of MontanaPBS (Station), a Public Television Entity operated by the Montana University System as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise MontanaPBS's basic financial statements as listed in the table of contents. We did not audit the financial statements of Friends of MontanaPBS, Inc. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Friends of MontanaPBS, Inc. is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of MontanaPBS as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements a beginning net position was restated due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. The June 30, 2014 financial statements were not restated as the information required for a restatement was not available.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding status for other post retirement benefits for health insurance, schedule of MontanaPBS's proportionate share of the net pension liability, and the schedule of MontanaPBS's contribution to TRS and PERS be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The supplemental information on pages 48 through 53 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wipfli LLP

Missoula, Montana
January 12, 2016

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
STATEMENTS OF NET POSITION
June 30

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,570,210	\$ 1,094,577
Accounts receivable	32,320	48,400
Grants receivable	-	-
Prepaid expenses	58,714	61,639
Total current assets	<u>1,661,244</u>	<u>1,204,616</u>
CAPITAL ASSETS, Net of accumulated depreciation - Note D	<u>2,163,782</u>	<u>2,605,617</u>
NONCURRENT ASSETS		
Prepaid expenses	<u>9,909</u>	<u>8,426</u>
Total noncurrent assets	<u>9,909</u>	<u>8,426</u>
Total assets	<u>3,834,935</u>	<u>3,818,659</u>
DEFERRED OUTFLOWS OF RESOURCES - pension related	<u>113,165</u>	<u>-</u>
	<u>\$ 3,948,100</u>	<u>\$ 3,818,659</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 40,087	\$ 28,089
Unearned revenue	333,918	233,221
Current portion, compensated absences	175,157	213,059
Current portion, long-term debt	5,940	5,909
Current portion, capital lease obligations	1,953	2,432
Total current liabilities	<u>557,055</u>	<u>482,710</u>
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	130,713	113,497
Long-term debt, net of current portion	18,150	24,090
Capital lease, net of current portion	6,256	8,208
Net pension liability	725,145	-
Net OPEB obligation - health benefits	503,016	465,020
Total noncurrent liabilities	<u>1,383,280</u>	<u>610,815</u>
Total liabilities	<u>1,940,335</u>	<u>1,093,525</u>
DEFERRED INFLOWS OF RESOURCES - pension related	<u>181,105</u>	<u>-</u>
NET POSITION		
Invested in capital assets, net of related debt	2,131,483	2,564,978
Unrestricted	(304,823)	160,156
Total net position	<u>1,826,660</u>	<u>2,725,134</u>
	<u>\$ 3,948,100</u>	<u>\$ 3,818,659</u>

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

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSMTV/KUFM TV
STATEMENTS OF FINANCIAL POSITION

June 30

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 98,181	\$ 81,010
Restricted cash	109,324	733,723
Investments - restricted	1,036,203	382,284
Prepaid expense	6,256	10,225
Premium inventory	8,641	11,810
Total assets	\$ 1,258,605	\$ 1,219,052
LIABILITIES		
Accounts payable	\$ 4,933	\$ 2,792
Due to affiliate	23,936	16,847
Total liabilities	28,869	19,639
NET ASSETS		
Unrestricted	84,209	83,406
Temporarily restricted	1,145,527	1,116,007
Total net assets	1,229,736	1,199,413
Total liabilities and net assets	\$ 1,258,605	\$ 1,219,052

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

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended June 30

	2015	2014
OPERATING REVENUES		
Sales and services	\$ 47,429	\$ 84,144
Contract production	145,954	167,088
Broadband lease	52,706	51,566
State support - transponder lease	150,000	150,000
Total operating revenues	396,089	452,798
OPERATING EXPENSES		
Broadcasting	1,919,053	2,146,603
Programming and production	2,081,675	2,266,307
Program information and promotion	178,386	137,776
Management and general	834,636	820,274
Fundraising and membership development	435,672	515,594
Solicitation and underwriting	35,148	48,087
Total operating expenses	5,484,570	5,934,641
OPERATING LOSS	(5,088,481)	(5,481,843)
NONOPERATING REVENUES		
Grants from CPB	1,016,684	990,464
Grants from state agencies	51,292	66,000
Grants from public broadcasting entities	11,000	28,923
State and local grants and contracts	113,440	18,477
Nongovernmental grants and contracts	2,900	73,415
Support from the Montana University System		
Appropriations for operations	1,264,634	1,194,724
Donated and indirect	890,609	922,994
Contributions from Friends used for operations	1,227,452	1,030,889
In-kind underwriting contributions	58,198	50,536
PBS royalties	5,152	6,101
Production underwriting	144,009	143,558
Program underwriting	82,591	84,674
Other contributions	123,437	24,330
Other revenue	36,838	24,196
Total nonoperating revenues	5,028,236	4,659,281
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Federal grants and contracts for capital projects	-	68,568
Interest Expense	(591)	(283)
Investment income, net	2,219	5,922
Gain on sale of assets	-	3,383
Total other revenues, expenses, gains and losses	1,628	77,590
CHANGE IN NET POSITION	(58,617)	(744,972)
NET POSITION - Beginning of year, as previously reported	2,725,134	3,470,106
NET POSITION - Beginning net position restatement	(839,857)	-
NET POSITION - End of year	\$ 1,826,660	\$ 2,725,134

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

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSM TV/KUFM TV
STATEMENT OF ACTIVITIES
for the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Donations - unrestricted	\$ 694,052	\$ -	\$ 694,052
Donations - restricted	-	195,153	195,153
Membership dues	831,185	-	831,185
Interest and dividend income	58	14,881	14,939
Realized gain on investment	-	934	934
Unrealized gain on investment	-	(4,447)	(4,447)
Satisfaction of program requirements	177,001	(177,001)	-
Total support	<u>1,702,296</u>	<u>29,520</u>	<u>1,731,816</u>
EXPENSES			
Program Services: Payments to affiliates:			
KUSM Television per contract	909,695	-	909,695
KUFM Television per contract	227,425	-	227,425
KUSM Television programming support	93,400	-	93,400
KUFM Television programming support	46,762	-	46,762
Additional support for operations	25,000	-	25,000
Equipment - minor	1,900	-	1,900
Advisory services	4,682	-	4,682
Total payments to affiliates	<u>1,308,864</u>	<u>-</u>	<u>1,308,864</u>
Other program services:			
Program guide costs	69,664	-	69,664
Total program services	<u>69,664</u>	<u>-</u>	<u>69,664</u>
Fundraising:			
Credit card and bank fees	28,464	-	28,464
Governmental affairs	1,776	-	1,776
Pledge drive premiums and support	156,692	-	156,692
Postage and direct mail preparation	97,867	-	97,867
Promotion and promotional premiums	807	-	807
Promotion and promotional premiums	5,462	-	5,462
Total fundraising	<u>291,068</u>	<u>-</u>	<u>291,068</u>
Management and administrative:			
Accounting and bookkeeping services	14,479	-	14,479
Contracted services	550	-	550
Insurance	1,817	-	1,817
Miscellaneous	1,813	-	1,813
Travel and conferences	13,238	-	13,238
Total management and administration	<u>31,897</u>	<u>-</u>	<u>31,897</u>
Total expenses	<u>1,701,493</u>	<u>-</u>	<u>1,701,493</u>
Change in Net Assets	803	29,520	30,323
Net assets at beginning of year	<u>83,406</u>	<u>1,116,007</u>	<u>1,199,413</u>
NET ASSETS AT END OF YEAR	<u>\$ 84,209</u>	<u>\$1,145,527</u>	<u>\$ 1,229,736</u>

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

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSM TV/KUFM TV
STATEMENT OF ACTIVITIES
for the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Donations - unrestricted	\$ 729,040	\$ -	\$ 729,040
Donations - restricted	-	126,450	126,450
Membership dues	569,930	-	569,930
Interest and dividend income	101	8,020	8,121
Realized gain on investment	-	2,215	2,215
Unrealized gain on investment	-	25,226	25,226
Satisfaction of program requirements	169,585	(169,585)	-
Total support	<u>1,468,656</u>	<u>(7,674)</u>	<u>1,460,982</u>
EXPENSES			
Program Services: Payments to affiliates:			
KUSM Television per contract	776,253	-	776,253
KUFM Television per contract	194,063	-	194,063
KUSM Television programming support	88,920	-	88,920
KUFM Television programming support	20,256	-	20,256
Additional support for operations	50,000	-	50,000
Equipment	3,017	-	3,017
Advisory services	9,600	-	9,600
Total payments to affiliates	<u>1,142,109</u>	<u>-</u>	<u>1,142,109</u>
Other program services:			
Program guide costs	<u>62,548</u>	<u>-</u>	<u>62,548</u>
Fundraising:			
Governmental affairs	2,117	-	2,117
Pledge drive premiums and support	151,152	-	151,152
Postage and direct mail preparation	75,418	-	75,418
Promotion and promotional premiums	2,832	-	2,832
Total fundraising	<u>231,519</u>	<u>-</u>	<u>231,519</u>
Management and administrative:			
Accounting and bookkeeping services	15,130	-	15,130
Insurance	2,168	-	2,168
Miscellaneous	1,350	-	1,350
Travel and conferences	9,542	-	9,542
Total management and administration	<u>28,190</u>	<u>-</u>	<u>28,190</u>
Total expenses	<u>1,464,366</u>	<u>-</u>	<u>1,464,366</u>
Change in Net Assets	4,290	(7,674)	(3,384)
Net assets at beginning of year	<u>79,116</u>	<u>1,123,681</u>	<u>1,202,797</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 83,406</u></u>	<u><u>\$ 1,116,007</u></u>	<u><u>\$ 1,199,413</u></u>

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

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended June 30

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales and services of educational activities	\$ 230,856	\$ 296,690
State support - transponder lease	150,000	150,000
Compensation and benefits	(2,245,456)	(2,146,366)
Other operating expenses	(1,808,750)	(1,932,679)
Net cash from operating activities	(3,673,350)	(3,632,355)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Friends of MontanaPBS	1,229,539	1,020,655
Production underwriting	162,960	134,080
State appropriations	1,264,634	1,194,724
Grants and contracts	1,328,592	1,391,757
Other receipts	234,420	126,205
Net cash from noncapital financing activities	4,220,145	3,867,421
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(70,359)	(52,044)
Cash received from the sale of capital assets	-	6,558
Cash received from capital grants and contributions	-	68,568
Principal and interest paid on long-term debt	(3,022)	(4,026)
Net cash from capital and related financing activities	(73,381)	19,056
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,219	5,922
NET CHANGE IN CASH AND CASH EQUIVALENTS	475,633	260,044
CASH AND CASH EQUIVALENTS - Beginning of year	1,094,577	834,533
CASH AND CASH EQUIVALENTS - End of year	\$ 1,570,210	\$ 1,094,577
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (5,088,481)	\$ (5,481,843)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	506,285	725,832
In-kind non-cash operating activities	58,198	50,536
Non-cash indirect university support	890,609	922,994
Net loss on disposal of assets	-	64,956
Net pension liability and related deferred inflows and outflows	(47,010)	-
(Increase) decrease in assets		
Accounts receivable	(8,107)	6,272
Prepaid expenses	(7,026)	(10,738)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	11,999	(26,123)
Compensated absences	(20,687)	82,377
Unearned revenue	(7,126)	(12,380)
Net OPEB obligation - health benefits	37,996	45,762
Net cash flows from operating activities	\$ (3,673,350)	\$ (3,632,355)

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

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSM TV/KUFM TV
STATEMENTS OF CASH FLOWS
for the years ended June 30

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 30,323	\$ (3,384)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investment	4,447	(25,226)
Realized (gain) loss on investment	(934)	(2,215)
(Increase) decrease in:		
Prepaid expense	3,969	(736)
Premium inventory	3,168	(6,475)
Increase (decrease) in:		
Accounts payable	2,142	(8,364)
Due to affiliate	7,089	16,847
Deferred revenue	-	(4,885)
	<u>50,204</u>	<u>(34,438)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from (purchases of) investments	<u>(657,432)</u>	<u>96,847</u>
	<u>(657,432)</u>	<u>96,847</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(607,228)	62,409
CASH AND CASH EQUIVALENTS - Beginning of year	<u>814,733</u>	<u>752,324</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 207,505</u></u>	<u><u>\$ 814,733</u></u>
Cash and cash equivalents - unrestricted	\$ 98,181	\$ 81,010
Cash and cash equivalents - restricted	<u>109,324</u>	<u>733,723</u>
	<u>\$ 207,505</u>	<u>\$ 814,733</u>
Totals	<u>\$ 207,505</u>	<u>\$ 814,733</u>

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

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. MontanaPBS (the Station) is an affiliation between KUSM TV and KUFM TV. The Station is both operated by the Montana University System, which is governed by the Montana Board of Regents. KUSM TV is operated by Montana State University, Bozeman, Montana, and KUFM TV is operated by the University of Montana, Missoula, Montana. Additionally, KBGS TV, Billings, a third full-power station, KUGF TV, Great Falls, a fourth full-power station and KUKL TV, Kalispell, a fifth full-power station are operated centrally from the Bozeman facility. The Stations are separate operational units of the Montana University System, which include the University of Montana (UM) and Montana State University (MSU). As component units of the State of Montana, the two universities are included separately in the financial statements of the State of Montana.

The Station services Montanans by acquiring, producing, and delivering high quality television programming, production and community outreach services. These non-commercial services provide state residents access to educational, informational and entertainment programming produced nationally and locally, and extend the impact of television viewing through community outreach efforts. The Stations rely on grants, university support and public contributions.

During the year ended June 30, 2015, there were no inter-station transactions. If inter-station activity were to occur during the year, transactions between the combined entities would be eliminated from the financial statements.

The component unit described below is included in the Station's reporting entity because of the significance of the operational and financial relationship with the Stations.

Discretely Presented Component Unit. The Friends of MontanaPBS, Inc. ("Friends"), a not-for-profit Montana corporation, that advises and provides financial support, positive community relations, and related administrative services to MontanaPBS.

The administration of Friends is provided by a Board of Directors consisting of 8 to 26 members. One member of the Board of Directors shall be the General Manager of KUSM and another shall be the General Manager of KUFM. One member shall be the President of Montana State University and one member shall be the President of the University of Montana or a person designated annually by the respective Presidents to serve in his/her behalf.

In accordance with GASB Statement No. 39, the financial statements of Friends of MontanaPBS, Inc. are being presented in this financial report as a component unit, not consolidated with the financial statements of Montana Public TV. As a result, transactions between the two entities are not eliminated. GASB Statement No. 34 requires that transactions between the two entities be recorded as external transactions. As a result, transfers of funds from Friends to Montana Public TV are recorded as an expense on the financial statements of Friends and as revenue on the financial statements for Montana Public TV (see Note I).

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

A copy of the audited financial statements of the component unit can be obtained by writing to Friends of MontanaPBS, Inc. at P. O. Box 10715, Bozeman, MT 59719-0715.

Financial Statement Presentation. The Station's financial statements are presented in accordance with requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements--and Management's Discussion and Analysis-for State and Local Governments: Omnibus--an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Under GASB Statements No. 34, No. 35, No. 37, No. 38 and No. 63, the Station is required to present a statement of net position classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method. The statements require the classification of net position into three components--invested in capital assets, net of related debt; restricted and unrestricted.

Basis of Accounting. For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents. For purposes of the combined statement of cash flows, cash balances maintained in pooled funds with other University funds are considered cash equivalents. The universities allocate cash balances to MontanaPBS from their funds invested in the Short Term Investment Pool (STIP) with the Montana Board of Investments. The universities consider STIP funds to be cash equivalents.

Accounts Receivable. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Customer account balances with invoices dated over 30 days are considered delinquent.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management has concluded that realized losses on balances outstanding at year-end will be immaterial and, accordingly, no allowance for uncollectible accounts is considered necessary.

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

Capital Assets. Capital assets with a cost, or in the case of donated property, estimated fair value at date of receipt, with values ranging from \$5,000 for equipment to \$500,000 for infrastructure, and with estimated useful lives of more than one year are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives are determined using industry standards for similar assets.

Compensated Absences. Employees' compensated absences are accrued when earned. The obligation and expenditure incurred during the year are recorded as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position. As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Amounts recorded as compensated absences payable include employer benefits.

Other Post-Employment Benefits. The Stations have adopted Governmental Accounting Standards Board Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The Stations allow retirees to participate in the Montana University System's self-funded health insurance plan by paying an amount considered by the Stations to cover their full costs (as calculated using the pooled risk of retirees and active employees). An actuarial study determined that this blended rate structure results in an implicit rate subsidy to retirees, who are considered to be a higher-cost pool of participants. The State of Montana and its component units amortize the calculated OPEB liability resulting from this implicit rate subsidy over a period of 30 years. The state has not mandated funding of the liability.

Deferred Inflows of Resources. Deferred inflows represent the acquisition of resources that is applicable to a future reporting period.

Deferred Outflows of Resources. Deferred outflows represent the consumption of resources that is applicable to a future reporting period but do not require a future exchange of goods or services.

Net Position. The Station's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the Stations' total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position: The component of net position that reports the constraints placed on the use of net position by either external parties or enabling legislation. As of June 30, 2015 and 2014 the Stations have no restricted net position to report.

Unrestricted position: The difference between the assets and liabilities that is not reported in *Invested in capital assets, net of related debt* and *restricted net position*.

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

It is the Station's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

Classification of Activities. The stations have classified their revenues as either operating or nonoperating according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, including (1) sales and services, (2) contract production revenue, and (3) lease revenues.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, production and program underwriting and federal and state grants that receive no direct benefit from the stations.

Program Underwriting. Revenue for program underwriting is recorded on a pro-rata basis for the period covered. Revenue related to subsequent years is reflected as unearned revenues in the accompanying statement of net position.

Grants. Revenue from grants and contracts is recorded as nonoperating revenue and is recognized to the extent of expenses incurred. When cumulative expenses incurred in accordance with the contract and grant provisions are in excess of cumulative receipts, the excess is accrued and reflected as accounts receivable with a corresponding credit to revenue, to the extent that total revenue does not exceed the grant award or contract amount. When cumulative receipts are in excess of cumulative expenses, the excess is reflected as unearned revenue. As of June 30, 2015, the Stations have recorded unearned revenue related to these grants and contracts of \$233,221.

Community Service Grants. The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of the recipients. MontanaPBS uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These provisions generally pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The grants were reported on the accompanying financial statements as unrestricted nonoperating funds.

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

Donated Facilities, Materials and Services. Donated facilities from the Montana University System consist of office and studio space together with related occupancy costs and are recorded as revenue and expense at estimated fair rental values in the statement of activities and changes in fund balance. Administrative support from Montana University System consists of indirect costs incurred by the Universities on behalf of the Stations, determined by establishing cost pools, which are grouped into functional categories such as institutional support, and physical plant supports, which are then allocated, based on the Stations' direct costs in accordance with guidelines established by the Corporation for Public Broadcasting (CPB). Donated materials are recorded at their fair value at the time of contribution. Donated personal services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Both the University of Montana and Montana State University pay pension contributions and other employee benefits from a benefit cost pool on behalf of some Station employees. These expenses are allocated to the Stations as direct support.

Functional Allocation of Expenses. The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status. As a state institution of higher education, the income of the Stations are exempt from federal and state income taxes' however, income generated from activities unrelated to the exempt purpose is subject to income tax under Internal Revenue Code Section 511(a)(2)(B). The Unrelated Business Income Tax (UBIT) amount was \$0 for the years ended June 30, 2015 and 2014. The Stations believe that income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse affect on the financial statements or cash flows. Accordingly, no reserves or related accruals for interest or penalties for uncertain income tax positions have been recorded as of June 30, 2015.

The Friends of MontanaPBS, Inc. is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation.

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE B BEGINNING NET POSITION RESTATEMENT

In June 2012, the Governmental Account Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, to improve accounting and financial reporting for pensions. This Statement is effective for fiscal years beginning after June 15, 2014. The Statement establishes among other things, standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. This Statement identifies for defined benefit plans, the methods and assumptions that should be used to project benefit payments, to their actuarial present value and attribute the present value to periods of employee service. Additional note disclosure and required supplementary information about pensions are also required by the Statement. The July 1, 2014 balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the Statement of Revenues, Expenses and Changes in Net Position as a restatement to the 2015 Net Position, Beginning of Year. The Public Employees Retirement System and Teachers' Retirement System were not able to provide sufficient information to restate the June 30, 2014 financial statements. The effect of the changes from the implementation of GASB 68 was to reduce MontanaPBS's previously stated beginning net position of \$2,725,134 by \$839,857.

NOTE C CASH AND CASH EQUIVALENTS

Cash balances are maintained in pooled funds with other University funds. The Universities allocate interest earnings based on the amounts MontanaPBS has invested in the Short Term Investment Pool (STIP) with the Montana Board of Investments. Amounts held in STIP may be withdrawn by the university system on demand, and as such are classified as cash equivalents, even though a portion of the pool's underlying investments may be considered noncurrent.

STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle." The STIP portfolio may include asset-backed securities, commercial paper, corporate and government securities, repurchase agreements and variable-rate (floating-rate) instrument. These securities are purchased to provide shareholders with a diversified portfolio earning a competitive total rate of return.

By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values. Funds held in STIP are reported at fair value as of June 30, based on market prices supplied to the Montana Board of Investments by its custodial bank.

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE D CAPITAL ASSETS

Activity for capital assets for the year ended June 30, 2015 is summarized below:

	Beginning Balance	Additions	Disposal	Ending Balance
Studio and broadcast equipment	\$ 4,176,258	\$ 48,504	\$ (5,724)	\$ 4,219,038
Production equipment	2,106,766	-	(28,193)	2,078,573
Vehicles	53,199	-	-	53,199
Software	13,528	-	(13,528)	-
Office machines	10,335	-	-	10,335
Transmission, antenna & tower	4,685,557	15,946	(5,178)	4,696,325
Accumulated depreciation	(8,440,026)	(506,285)	52,623	(8,893,688)
Total capital assets, net	<u>\$ 2,605,617</u>	<u>\$ (441,835)</u>	<u>\$ -</u>	<u>\$ 2,163,782</u>

NOTE E LONG TERM LIABILITIES

The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due in One Year
OPEB	\$ 465,020	\$ 335,112	\$ -	\$ 800,132	\$ -
Compensated absences	326,556	-	20,686	305,870	184,592
Long-term debt	30,000	-	5,910	24,090	5,940
Pension contribution	-	428,029	-	428,029	-
Capital leases	10,640	-	2,431	8,209	1,953
	<u>\$ 832,216</u>	<u>\$ 763,141</u>	<u>\$ 29,027</u>	<u>\$ 1,566,330</u>	<u>\$ 192,485</u>

Capital Lease. During fiscal years 2010 and 2014, KUSM TV entered into capital lease agreements for copiers. Under the terms of the lease agreements, KUSM TV has the right to purchase the copiers at the end of their respective 60-month lease terms.

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE E LONG TERM LIABILITIES, continued

The following is a schedule of cash requirements for the year ending June 30, 2015:

	Capital Lease Obligation	
	Principal	Interest
2016	\$ 1,953	\$ 466
2017	2,081	338
2018	2,217	202
2019	1,958	58
	\$ 8,209	\$ 1,064

Long-term Debt. During fiscal year 2014, KUSM TV entered into a debt agreement (InterCap loan) to purchase a vehicle. The note bears interest at a variable rate subject to change every February until maturity in 2019, currently interest is at 1%.

The following is a schedule of cash requirements for the year ending June 30, 2015:

	Long-term Debt	
	Principal	Interest
2016	\$ 5,940	\$ 226
2017	6,000	166
2018	6,060	106
2019	6,090	46
	\$ 24,090	\$ 544

NOTE F OPERATING LEASES

LESSEE OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2015 and 2014 in which MontanaPBS is considered the lessee:

Satellite Transponder Lease. During the year ended June 30, 2004, Montana State University, on behalf of MontanaPBS, entered into a contract with Public Broadcasting Service for a digital satellite transponder. The lease expires September 2015 with monthly payments of \$12,965.

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NOTE F OPERATING LEASES, continued

The future minimum obligations under the satellite transponder lease as of June 30, 2015 is \$38,895 due during the year ended June 30, 2016.

Rental Activity. Rental Activity, including amortization of prepaid rent, for the year ended June 30, 2015 is as follows:

Satellite transponder lease	\$ 155,580
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LESSOR OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2015 and 2014 in which MontanaPBS is considered the lessor:

Education Broadband Lease. During the fiscal year ended June 30, 2008, Montana State University, on behalf of MontanaPBS, entered into a 30-year lease agreement with Digital Bridge Spectrum Corporation to operate two Educational Broadband Services (EBS) in the Bozeman market. In February 2010, KUSM entered into a second agreement to operate one EBS in the Great Falls market. At the beginning of fiscal year 2013, these lease agreements were transferred to SpeedConnect.

The following is a schedule of the future minimum lease payments to be received under these leases for the next five years:

For Years Ending June 30:	
2016	\$ 54,166
2017	55,675
2018	57,219
2019	58,809
2020	<u>60,440</u>
Total	<u>\$ 286,309</u>

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NOTE G EMPLOYEE BENEFIT PLANS

PENSION PLANS- The Stations' employees are covered under the Montana Public Employees Retirement System (PERS), the Montana Teachers' Retirement System (TRS) or the Montana University System Retirement Program (MUS-RP). The PERS and TRS plans are defined benefit, multiple-employer, cost sharing plans. Only faculty and staff with contracts under the authority of the Board of Regents may elect either the TRS or the MUS-RP.

The amounts contributed to the plans during the year ended June 30, 2015 were equal to the required contributions for the year:

	Defined Benefit		Defined Contribution
	PERS	TRS	MUS-RP
KUSM TV	\$31,159	\$32,735	\$45,004
KUFM TV	\$23,041	\$ -	\$ -

TRS

TRS Plan Description- TRS is a multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana. The TRS Board is the governing body, and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

TRS Eligibility for Participation- Membership in TRS is compulsory for all K-12 public educators, except for persons teaching fewer than thirty days in each fiscal year. A University system faculty member who is already an active, inactive or retired member of TRS, if hired into a position that was previously covered by TRS, may have a choice to remain in TRS or transfer to the Montana University System Retirement Program (MUS-RP). University system employees not already members of TRS, or that are members of TRS but are hired into a position that was not previously covered by TRS, will become members of the MUS-RP.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

TRS Summary of Benefits- Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year was to vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members was litigated, and subsequent to June 30, 2015, a settlement was reached in which it was determined that for Tier One members, the GABA calculation would remain at 1.5% rather than varying from 0.5% to 1.5% as described above.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

The Station's net pension liability related to TRS was as follows for the years ended June 30

	2015	2014	Percent of Collective NPL at June 30 2014
Station's Proportionate Share	\$60,488	\$71,594	0%
State of Montana Proportionate Share associated with MontanaPBS	<u>24,395</u>	<u>28,198</u>	0%
Total	<u>\$84,883</u>	<u>\$99,792</u>	0%

The NPL was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The university's proportion of the net pension liability was based on the university's contributions received by TRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of TRS' participating employers.

TRS Changes between the measurement date and reporting date- There were no changes between the measurement date of the collective net pension liability and the University's reporting date that are expected to have a significant effect on the University's proportionate share of the collective NPL.

The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date.

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

- For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

There have been no changes in benefit terms since the previous measurement date.

TRS Pension Expense for 2015 totaled \$10,162 which included \$8,803 for the Station share, as well as \$1,359 for the State of Montana's proportionate share associated with the Station. The Station also recognized non-operating revenue of \$1,359 for the support provided by the State of Montana for its proportionate share of the pension expense.

TRS Deferred Inflows and Outflows - The Station recognized a beginning deferred outflow of resources as of July 1, 2014, for the Station's 2014 contributions of \$31,616.

At June 30, 2015, the Station's share of deferred outflows of resources and deferred inflows of resources related to TRS was as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 782	\$ -
Changes in actuarial assumptions	1,793	-
Difference between projected and actual investment earnings	-	9,369
Difference between actual and expected contributions	18,502	-
Contributions paid to TRS subsequent to the measurement date *	32,735	-
Total	\$ 53,812	\$ 9,369

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense during the year ending June 30:

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase assumption and 4.51% merit and longevity increases.

TRS Discount Rate- The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to TRS payable July 1st of each year. Based on those assumptions, the TRS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2116. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

TRS Target Allocations

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis
Broad US Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	4.00%	7.50%
	<u>100.00%</u>	

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for TRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of June 30, 2014, is summarized in the above table.

TRS Sensitivity Analysis

Below is information regarding the net pension liability calculated using the current and two additional rates:

	Assuming 1.0% Decrease (6.75%)	At Current Discount Rate (7.75%)	Assuming 1.0% Increase (8.75%)
Station proportion of Net Pension Liability	\$84,037	\$60,488	\$40,593

TRS Summary of Significant Accounting Policies- TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Teachers' Retirement System (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>

PERS

PERS Plan Description- The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

PERS Eligibility for Participation- All new members in covered positions (generally all University classified employees which excludes faculty and professional staff) are defaulted to the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the University also have a third option to join the Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions is used to pay down the liability of the PERS-DBRP. A new employee of the University who is already an active or inactive member of one of the PERS Plans may remain in the current retirement option or transfer to the MUS-RP. Written election to move to the MUS-RP must be done within 30 days of becoming eligible to participate, or employees default to their existing retirement plan.

PERS Summary of Benefits- Service retirement:

Hired prior to July 1, 2011: Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early retirement, actuarially reduced: Hired prior to July 1, 2011: Age 50, 5 years of membership service; or Any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

PERS Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 - highest average compensation during any consecutive 60 months;
- Hired on or after July 1, 2013 - 110% annual cap on compensation considered as part of a member's highest average compensation.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

PERS Guaranteed Annual Benefit Adjustment (GABA)

- 3% for members hired **prior to** July 1, 2007
- 1.5% for members hired **on or after** July 1, 2007 After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.

At this time, as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

PERS Net Pension Liability - In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. This arrangement does not apply to the Station, so a state share of pension liability is not reported.

The State of Montana also has a funding arrangement that is not considered a special funding situation whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

The Station's net pension liability related to PERS was \$664,657 for the year ended June 30, 2015 and was approximately 0% of the collective net pension liability.

The NPL was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2014. The University's proportion of the NPL was based on the University's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

PERS Changes between the measurement date and the reporting date

There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability, and there have been no changes in benefit terms since the previous measurement date.

PERS Pension Expense for 2015 totaled \$51,592, which included \$33,629 for the Station share, as well as \$17,963 for the State of Montana's proportionate share associated with the Station. The Station also recognized non-operating revenue of \$17,963 for the support provided by the State of Montana for its proportionate share of the pension expense.

PERS Deferred Inflows and Outflows

The Station recognized a beginning deferred outflow of resources as of July 1, 2014, for the Station's 2014 contributions of \$52,078.

At June 30, 2015, the Station share of deferred outflows of resources and deferred inflows of resources related to PERS was as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ -	\$ 171,736
Changes in proportion differences between employer contributions and proportionate share of contributions	2,882	-
Contributions paid to PERS subsequent to the measurement date *	56,471	-
Total	\$ 59,353	\$ 171,736

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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NOTE G **EMPLOYEE BENEFIT PLANS**, continued

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense during the year ending June 30:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Amount To Be Recognized as an increase or (decrease) to Pension Expense
2016	\$ 961	\$ 42,934	\$ (41,973)
2017	\$ 961	\$ 42,934	\$ (41,973)
2018	\$ 960	\$ 42,934	\$ (41,974)
2019	\$ -	\$ 42,934	\$ (42,934)

PERS Overview of Contributions - Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.

PERS Member contributions - Plan members are required to contribute 7.90% of members' compensation. Contributions are deducted from each member's salary and remitted by participating employers.

- The 7.90% member contribution rate is temporary and will be decreased to 6.9% on January 1 in the year following an actuarial valuation in which results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

PERS Employer contributions

- State and University employers are required to contribute 8.27% of members' compensation.
- Local government entities are required to contribute 8.17% of members' compensation.
- School district employers contributed 7.90% of members' compensation.
- Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.
- *At this time as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

PERS Discount Rate - The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

PERS Target Allocations

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%
	100.00%	

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for PERS. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS target asset allocation as of June 30, 2014, is summarized in the above table.

PERS Sensitivity Analysis

Below is information regarding the net pension liability calculated using the current and two additional rates:

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
The Station's proportion of Net Pension Liability	\$1,057,458	\$664,657	\$333,419

PERS Summary of Significant Accounting Policies - The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

Montana University System – Retirement Program (MUS-RP). The MUS-RP is a defined contribution plan, established under authority of Title 19, Chapter 21, MCA. Benefits at retirement depend upon the amount of investment gains and losses and the employee's life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA-CREF. The University records employee/employer contributions, and remits monies to TIAA-CREF. Combined contributions cannot exceed 13% of the participants compensation (MCA §19-21-203). Individuals are immediately vested with contributions. Annual reports that include financial statements and required supplemental information on the plan are available from TIAA-CREF, 730 Third Avenue, New York, New York 10017-3206, Phone 1-800-842-2733.

Other Post-Employment Benefits – Health Benefits

Authorization. Montana State law requires state agencies to provide access to health insurance benefits to eligible retirees up to Medicare – eligible age (65) (§2-18-704(1)(a), MCA). The Board of Regents of the Montana University System (MUS), having broad authority to act in the best interests of the MUS, has directed the Office of the Commissioner of Higher Education (OCHE) to provide access to health insurance benefits beyond age 65. Eligible University retirees may participate in the health insurance plan, provided that they contribute to the cost of the plan.

Eligibility. Retirees who are eligible to receive retirement benefits from Teachers Retirement System (TRS) or the Public Employees Retirement System (PERS) at the time employment ceases may participate in the plan. Retirees who are in the Optional Retirement Plan (ORP) (through TIAA-CREF) or any other defined contribution plan associated with the MUS must have worked five or more years and be age 50, or have worked 25 years with the MUS to be eligible for retiree insurance benefits. The MUS's Interunit Benefits Committee, at the direction of the OCHE, sets the premiums for such participation. Until a retiree reaches age 65, individual retiree participation premiums range from \$600 - \$1,410 per month, depending on the level of deductible and other selected plan features. Upon reaching age 65 (Medicare eligibility), monthly participation premiums range from \$259 - \$951 for an individual retiree. Coverage is also extended to dependents and surviving dependents of the employee.

Financial and plan information. The MUS Group Benefits Plan does not issue a standalone financial report, but is subject to audit as part of the State of Montana's Comprehensive Annual Financial Report (CAFR). A copy of the most recent CAFR can be obtained online at <http://sfsd.mt.gov/SAB/CAFR.asp> or by contacting the Montana Department of Administration, P. O. Box 200102, Helena, MT 59620-0102.

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NOTE G **EMPLOYEE BENEFIT PLANS, continued**

The plan is considered to be a multi-employer agent plan. All units of the MUS fund the post-employment benefits on a pay-as-you-go basis from general assets. The University's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The calculated ARC represents an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. For the fiscal year ended June 30, 2015 and June 30, 2014, the station's annual OPEB cost (expense) of \$50,562 and \$49,961 was equal to the ARC. The actuarial determination was based on plan information as of July 1, 2013. At that time, the number of active participants in the health insurance plan was 6,529.

The total number of inactive (retiree and dependent) participants was 1,872. During the year ended June 30, 2015 and 2014, the Universities contributed \$70,563,573 and \$64,054,655 for actively employed participants, whose annual covered payroll totaled \$377,795,322 as of the last actuarial valuation. The Universities do not contribute to the plan for retirees or their dependents.

As of the latest actuarial evaluation, the accrued liability for retiree health benefits was \$89,772,725, all of which was unfunded. The percentage of annual OPEB cost contributed to the plan was 31% and 16%, and the net OPEB obligation was \$503,015 and \$465,020 for 2015 and 2014 respectively. The funded status of the plan as of June 30 was 0% for both years.

MontanaPBS
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE G **EMPLOYEE BENEFIT PLANS**, continued

The Station's OPEB obligation is:

<u>Year ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 50,562	\$ 49,961	\$ 62,955
Interest on net OPEB obligation	22,119	13,754	9,650
Amortization of net OPEB obligation	<u>(17,345)</u>	<u>(9,475)</u>	<u>(6,050)</u>
Annual OPEB cost	55,336	54,240	66,555
Contributions made	<u>(17,340)</u>	<u>(8,475)</u>	<u>(4,482)</u>
Increase to net OPEB obligation	37,996	45,765	62,073
Net OPEB obligation - Beginning of year	<u>465,020</u>	<u>419,255</u>	<u>357,182</u>
Net OPEB obligation - End of year	<u><u>\$ 503,016</u></u>	<u><u>\$ 465,020</u></u>	<u><u>\$ 419,255</u></u>

Actuarial Methods and Assumptions. The projected unit credit funding method was used to determine the cost of the MUS System Employee Group Benefits Plan. This method's objective is to fund each participant's benefits under the plan as they accrue. The total benefit to which each participant is expected to become entitled at retirement is categorized into units, each associated with a year of past or future credited service. The actuarial assumptions included, in addition to marital status at retirement, mortality rates and retirement age:

Interest/Discount rate	4.25%
Projected payroll increases	2.50%
Participation	55% of future retirees are assumed to elect coverage at the time of retirement, 60% of future eligible spouses of future retirees are assumed to elect coverage

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Such events include assumptions about future employment, mortality rates, and healthcare cost trends. Amounts are subject to continual review and revision as actual results are compared with past expectations and new estimates are made about the future.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE H COMMITMENTS AND CONTINGENCIES

The Stations operate their programs with the aid of funding primarily from the following sources:

1. CPB CSG grants.
2. Appropriations from the Montana University System.
3. Contributions from Friends of MontanaPBS, Inc.

A major reduction in the level of support from any of these funding sources could have a negative impact on the Stations' ability to maintain its current programs.

MontanaPBS must use its community service grants within two-year grant periods. Any unexpended funds must be returned to the Corporation for Public Broadcasting. Although it is a possibility that the funds could not be spent within the grant period, the management of MontanaPBS deems the contingency remote.

The Stations face a number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, and (c) Workers' Compensation. The Stations, as departments of the Montana University System, participate in the risk management programs of the Montana University System and the State of Montana.

Federal Interest Period. MontanaPBS has received considerable grant funding over the years from the NTIA/PTFP program in the U.S. Department of Commerce (DOC). The grant mandates a 10-year interest period in all equipment purchased with federal funds during which the station(s) must operate the equipment in compliance with the grant objectives or risk losing the physical assets to repossession. The station(s) last NTIA/PTFP grant (to KUSM – MSU) closed in December 2010. The 10-year requirement will be fulfilled in 2021.

NOTE I RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015, the Stations received monetary support from Friends of MontanaPBS, Inc. as disclosed in the statements.

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE J IN-KIND CONTRIBUTIONS

The following in-kind contributions were recorded in MontanaPBS's financial statements for the year ended June 30, 2015:

University indirect administrative support and occupancy	\$890,609
In-kind services provided by program sponsors	<u>58,198</u>
Total	<u>\$948,807</u>

NOTE K SUBSEQUENT EVENTS

In late June, a unique opportunity occurred when Gray Television, owners of two full power television station licenses in the Helena market, agreed to donate a full power broadcast license, as well as the equipment associated with the station, to Montana State University. While the license and equipment was transferred as an outright donation valued at approximately \$75,000, the station incurred legal costs associated with the transfer documentation and subsequent legal and regulatory filings. To date these charges amount to approximately \$25,000. This should represent the extent of the legal costs associated with the donation. Some additional costs may be incurred during FY16 related to improvements to this new service.

On September 30, 2015 KUSM entered into a debt agreement (InterCap Loan) to replace outdated equipment (encoder and automation system) used for station operations. KUSM received approval for \$300,000 and the note bears interest at a variable rate subject to change every February until maturity in 2020. The current interest rate is at 1.25%.

Management has performed an analysis of the activities and transactions subsequent to June 30, 2015 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2015. This analysis has been performed through January 12, 2016, the date the financial statements were available to be issued and there are no subsequent events that require recognition or disclosure in these financial statements other than the matters mentioned above.

REQUIRED SUPPLEMENTAL INFORMATION

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2015 and 2014

Schedule of Funding Status for Other Post Retirement Benefits for Health Insurance

The funded status of the plan as of the actuarial valuations dated July 1, 2009, 2011 and 2013 were as follows:

	<u>2009</u>	<u>2011</u>	<u>2013</u>
Actuarial accrued liability (AAL)	\$ 173,109,813	\$ 103,580,683	\$ 89,772,725
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 173,109,813</u>	<u>\$ 103,580,683</u>	<u>\$ 89,772,725</u>
Funded percentage (actuarial value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll (active plan members)	\$ 366,087,478	\$ 349,367,608	\$ 377,795,322
UAAL as a percentage of covered payroll	47.29%	29.65%	23.76%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Such events include assumptions about future employment, mortality rates, and healthcare cost trends. Actuarially determined amounts are subject to continual review and revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial assumptions included in the valuations, in addition to marital status at retirement, mortality rates and retirement age, were as follows:

<u>Actuarial Valuation Date</u>	<u>2009</u>	<u>2011</u>	<u>2013</u>
Interest/Discount rate	4.25%	4.25%	4.25%
Projected payroll increases	2.50%	2.50%	2.50%
Participant Percentage			
Future retirees assumed to elect coverage at retirement	55.00%	55.00%	55.00%
Future eligible spouses of future retirees assumed to elect coverage	60.00%	60.00%	60.00%

MontanaPBS
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REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2015 and 2014

Pensions

Schedule of the MontanaPBS's Proportionate Share of the Net Pension Liability for TRS

Year	MontanaPBS's Proportion of the NPL	MontanaPBS's Share of the NPL	MontanaPBS's Share of the NPL	MontanaPBS's Share of the NPL	MontanaPBS's Covered Employee Payroll	MontanaPBS's share of the NPL as a % of Covered Employee	Plan Fiduciary Net Position as a % of Total Pension Liability
2015	0.00%	\$ 60,488	\$ 24,395	\$ 84,883	\$ 48,196	125.50%	70.36%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Schedule of MontanaPBS Contributions to TRS

Year	Contractually Required Contributions	Contributions Made*	Excess/(Deficiency)	MontanaPBS's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 32,735	\$ 32,735	\$ -	\$ 48,196	67.92%

*Includes contributions made as a percent of MUS-RP covered payroll as well as TRS covered payroll at statutory rates.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Schedule of the MontanaPBS's Proportionate Share of the Net Pension Liability for PERS

Year	MontanaPBS's Proportion of the NPL	MontanaPBS's Share of the NPL	MontanaPBS's Covered Employee Payroll	MontanaPBS's share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2015	0.00%	\$ 664,657	\$ 656,089	101.31%	79.90%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Schedule of MontanaPBS Contributions to PERS

Year	Contractually Required Contributions	Contributions Made*	Excess/(Deficiency)	MontanaPBS's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 54,779	\$ 54,779	\$ -	\$ 656,089	8.3%

*Includes contributions made as a percent of MUS-RP covered payroll as well as PERS covered payroll at statutory rates.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
for the years ended June 30

	Broadcasting	Programming and Production	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Solicitation and Underwriting	2015 Total Expenses	2014 Total Expenses
Salaries and benefits	\$ 845,944	\$ 596,326	\$ 102,808	\$ 1,545,078	\$ 461,112	\$ 217,770	\$ 23,112	\$ 2,247,072	\$ 2,263,665
Services	23,952	121,161	20,733	165,846	28,742	49,544	-	244,132	288,879
Supplies	77,048	107,053	1,097	185,198	30,862	3,142	-	219,202	331,792
Communications	172,353	62,211	193	234,757	16,291	26,373	-	277,421	277,321
Travel	21,667	42,826	4,856	69,349	21,419	8,974	1,353	101,095	112,739
Rent	15,584	14,633	332	30,549	5,288	223	-	36,060	34,511
Repair and maintenance	24,867	21,090	-	45,957	3,118	-	-	49,075	76,182
Public broadcasting dues	-	697,076	-	697,076	-	-	-	697,076	703,821
Other	12,671	126,964	48,367	188,002	(1,203)	29,693	51	216,543	196,905
Indirect costs	350,907	201,980	-	552,887	227,137	99,953	10,632	890,609	922,994
Depreciation and amortization	374,060	90,355	-	464,415	41,870	-	-	506,285	725,832
Total operating expenses	\$ 1,919,053	\$ 2,081,675	\$ 178,386	\$ 4,179,114	\$ 834,636	\$ 435,672	\$ 35,148	\$ 5,484,570	\$ 5,934,641

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF NET POSITION
June 30, 2015

ASSETS	KUSM	KUFM	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,235,165	\$ 335,045	\$ 1,570,210
Accounts receivable	29,129	3,191	32,320
Prepaid expenses	50,246	8,468	58,714
Total current assets	<u>1,314,540</u>	<u>346,704</u>	<u>1,661,244</u>
CAPITAL ASSETS			
Studio and broadcast equipment	2,898,180	1,320,858	4,219,038
Production equipment	2,078,573	-	2,078,573
Vehicles	53,199	-	53,199
Office machines	10,335	-	10,335
Transmission, antenna, tower	3,878,576	817,749	4,696,325
Accumulated depreciation	<u>(7,308,897)</u>	<u>(1,584,791)</u>	<u>(8,893,688)</u>
Total capital assets	<u>1,609,966</u>	<u>553,816</u>	<u>2,163,782</u>
NONCURRENT ASSETS			
Prepaid expenses	9,909	-	9,909
Total noncurrent assets	<u>9,909</u>	<u>-</u>	<u>9,909</u>
Total assets	<u>2,934,415</u>	<u>900,520</u>	<u>3,834,935</u>
DEFERRED OUTFLOWS OF RESOURCES - pension related			
	88,323	24,842	113,165
	<u>\$ 3,022,738</u>	<u>\$ 925,362</u>	<u>\$ 3,948,100</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 26,927	\$ 13,160	\$ 40,087
Unearned revenue	297,593	36,325	333,918
Current portion, compensated absences	131,605	43,552	175,157
Current portion, long-term debt	5,940	-	5,940
Current portion, capital lease obligations	1,953	-	1,953
Total current liabilities	<u>464,018</u>	<u>93,037</u>	<u>557,055</u>
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	71,693	59,020	130,713
Long-term debt, net of current portion	18,150	-	18,150
Capital lease, net of current portion	6,256	-	6,256
Net pension liability	428,029	297,116	725,145
Net OPEB obligation - health benefits	398,963	104,053	503,016
Total noncurrent liabilities	<u>923,091</u>	<u>460,189</u>	<u>1,383,280</u>
Total liabilities	<u>1,387,109</u>	<u>553,226</u>	<u>1,940,335</u>
DEFERRED INFLOWS OF RESOURCES - pension related			
	104,335	76,770	181,105
NET POSITION			
Invested in capital assets, net of related debt	1,577,667	553,816	2,131,483
Unrestricted	<u>(46,373)</u>	<u>(258,450)</u>	<u>(304,823)</u>
Total net position	<u>1,531,294</u>	<u>295,366</u>	<u>1,826,660</u>
	<u>\$ 3,022,738</u>	<u>\$ 925,362</u>	<u>\$ 3,948,100</u>

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2015

	KUSM	KUFM	Total
OPERATING REVENUES			
Sales and services	\$ 32,496	\$ 14,933	\$ 47,429
Contract production	145,954	-	145,954
Broadband lease	52,706	-	52,706
State support - transponder lease	150,000	-	150,000
Total operating revenues	<u>381,156</u>	<u>14,933</u>	<u>396,089</u>
OPERATING EXPENSES			
Broadcasting	1,646,059	272,994	1,919,053
Programming and production	1,558,912	522,763	2,081,675
Program information and promotion	178,386	-	178,386
Management and general	603,169	231,467	834,636
Fundraising and membership development	435,672	-	435,672
Solicitation and underwriting	35,148	-	35,148
Total operating expenses	<u>4,457,346</u>	<u>1,027,224</u>	<u>5,484,570</u>
OPERATING INCOME (LOSS)	<u>(4,076,190)</u>	<u>(1,012,291)</u>	<u>(5,088,481)</u>
NONOPERATING REVENUES			
Grants from CPB	1,016,684	-	1,016,684
Grants from state agencies	51,292	-	51,292
Grants from public broadcasting entities	11,000	-	11,000
State and local grants and contracts	-	113,440	113,440
Nongovernmental grants and contracts	2,900	-	2,900
Support from the Montana University System			
Appropriations for operations	811,418	453,216	1,264,634
Donated and indirect	776,033	114,576	890,609
Contributions from Friends used for operations	987,996	239,456	1,227,452
In-kind contributions	44,398	13,800	58,198
PBS royalties	5,152	-	5,152
Production underwriting	144,009	-	144,009
Program underwriting	82,591	-	82,591
Other contributions	123,437	-	123,437
Other revenue	13,598	23,240	36,838
Total nonoperating revenues	<u>4,070,508</u>	<u>957,728</u>	<u>5,028,236</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES			
Interest Expense	(591)	-	(591)
Investment income	436	1,783	2,219
Total other revenues, expenses, gains and losses	<u>(155)</u>	<u>1,783</u>	<u>1,628</u>
NET CHANGE IN NET POSITION	<u>(5,837)</u>	<u>(52,780)</u>	<u>(58,617)</u>
NET POSITION - Beginning of year, as previously reported	2,019,337	705,797	2,725,134
NET POSITION - Beginning net position restatement	<u>(482,206)</u>	<u>(357,651)</u>	<u>(839,857)</u>
NET POSITION - End of year	<u>\$ 1,531,294</u>	<u>\$ 295,366</u>	<u>\$ 1,826,660</u>

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF CASH FLOWS
for the year ended June 30, 2015

	KUSM	KUFM	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales and services of educational activities	\$ 215,923	\$ 14,933	\$ 230,856
State support - transponder lease	150,000	-	150,000
Compensation and benefits	(1,688,138)	(557,318)	(2,245,456)
Other operating expenses	(1,564,983)	(243,767)	(1,808,750)
Net cash from operating activities	<u>(2,887,198)</u>	<u>(786,152)</u>	<u>(3,673,350)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions from Friends of MontanaPBS	990,083	239,456	1,229,539
Production underwriting	162,960	-	162,960
State appropriations	811,418	453,216	1,264,634
Grants and contracts	1,197,208	131,384	1,328,592
Other receipts	211,180	23,240	234,420
Net cash from noncapital financing activities	<u>3,372,849</u>	<u>847,296</u>	<u>4,220,145</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(70,359)	-	(70,359)
Principal and interest paid on long-term debt	(3,022)	-	(3,022)
Net cash from capital and related financing activities	<u>(73,381)</u>	<u>-</u>	<u>(73,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	436	1,783	2,219
NET CHANGE IN CASH AND CASH EQUIVALENTS	412,706	62,927	475,633
CASH AND CASH EQUIVALENTS - Beginning of year	822,459	272,118	1,094,577
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,235,165</u>	<u>\$ 335,045</u>	<u>\$ 1,570,210</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$ (4,076,190)	\$ (1,012,291)	\$ (5,088,481)
Adjustments to reconcile change in net position to net cash from operating activities			
Depreciation and amortization	376,858	129,427	506,285
In-kind non-cash operating expenses	44,398	13,800	58,198
Non-cash indirect university support	776,033	114,576	890,609
Net pension liability and related deferred inflows and outflows	(38,403)	(8,607)	(47,010)
(Increase) decrease in assets			
Accounts receivable	(8,107)	-	(8,107)
Prepaid expenses	(7,026)	-	(7,026)
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	11,940	59	11,999
Compensated absences	10,631	(31,318)	(20,687)
Unearned revenue	(7,126)	-	(7,126)
Net OPEB obligation - health benefits	29,794	8,202	37,996
Net cash flows from operating activities	<u>\$ (2,887,198)</u>	<u>\$ (786,152)</u>	<u>\$ (3,673,350)</u>

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
RECONCILIATION SCHEDULES
for the year ended June 30

	<u>KUSM</u>	<u>KUFM</u>	<u>Friends of MontanaPBS, Inc.</u>	<u>2015 Total</u>	<u>2014 Total</u>
SUPPORT AND REVENUES					
Total support and revenues per statement of revenue, expenses, and changes in net position					
Operating revenues	\$ 381,156	\$ 14,933	\$ -	\$ 396,089	\$ 452,798
Nonoperating revenues	4,070,508	957,728	1,731,816	6,760,052	6,120,263
Other revenues	436	1,783	-	2,219	77,873
	<u>4,452,100</u>	<u>974,444</u>	<u>1,731,816</u>	<u>7,158,360</u>	<u>6,650,934</u>
Subtotal per CPB report Schedule F					
	<u>4,452,100</u>	<u>974,444</u>	<u>1,731,816</u>	<u>7,158,360</u>	<u>6,650,934</u>
Less					
Restatement of prior year recognized NFFS	-	-	-	-	156,180
Federal support	2,900	-	-	2,900	5,000
Public broadcasting support	1,064,487	-	-	1,064,487	1,041,720
Friends revenue presented discretely	-	-	1,308,864	1,308,864	1,142,109
In-kind revenue (not NFFS)	2,735	-	-	2,735	4,421
Capital grants and contributions	-	-	-	-	68,568
Miscellaneous other items	154,051	-	(3,513)	150,538	201,722
	<u>1,224,173</u>	<u>-</u>	<u>1,305,351</u>	<u>2,529,524</u>	<u>2,619,720</u>
Subtotal					
	<u>1,224,173</u>	<u>-</u>	<u>1,305,351</u>	<u>2,529,524</u>	<u>2,619,720</u>
Non-Federal financial support per CPB report summary, Line 5	<u>\$ 3,227,927</u>	<u>\$ 974,444</u>	<u>\$ 426,465</u>	<u>\$ 4,628,836</u>	<u>\$ 4,031,214</u>
EXPENSES					
Total expenses per statement of revenues, expenses, and changes in net position	\$ 4,457,937	\$ 1,027,224	\$ 1,701,493	\$ 7,186,654	\$ 7,399,290
Less contributions from Friends of Montana PBS to Montana PBS/ KUSM TV/KUFM TV	-	-	1,308,864	1,308,864	1,142,109
	<u>-</u>	<u>-</u>	<u>1,308,864</u>	<u>1,308,864</u>	<u>1,142,109</u>
OPERATING EXPENSES PER CPB					
Report Summary, Schedule E, Line 8	<u>\$ 4,457,937</u>	<u>\$ 1,027,224</u>	<u>\$ 392,629</u>	<u>\$ 5,877,790</u>	<u>\$ 6,257,181</u>

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES
for the year ended June 30, 2015

	KUSM	KUFM	Friends of MontanaPBS	Eliminations	Total	Schedule F AFR	Difference
OPERATING REVENUES							
Sales and services	\$ 32,496	\$ 14,933	\$ -	\$ -	\$ 47,429		
Contract production	145,954	-	-	-	145,954		
Broadband lease	52,706	-	-	-	52,706		
State support - transponder lease	150,000	-	-	-	150,000		
Total operating revenues	<u>381,156</u>	<u>14,933</u>	<u>-</u>	<u>-</u>	<u>396,089</u>	<u>396,089</u>	<u>-</u>
OPERATING EXPENSES							
Broadcasting	1,646,059	272,994	-	-	1,919,053		
Programming and production	1,558,912	522,763	-	-	2,081,675		
Program information and promotion	178,386	-	-	-	178,386		
Management and general	603,169	231,467	-	-	834,636		
Fundraising and membership development	435,672	-	-	-	435,672		
Solicitation and underwriting	35,148	-	-	-	35,148		
Friends of MontanaPBS payments to stations	-	-	1,308,864	(1,308,864)	-		
Friends of MontanaPBS other expenses	-	-	392,629	-	392,629		
Total operating expenses	<u>4,457,346</u>	<u>1,027,224</u>	<u>1,701,493</u>	<u>(1,308,864)</u>	<u>5,877,199</u>		
OPERATING INCOME (LOSS)	<u>(4,076,190)</u>	<u>(1,012,291)</u>	<u>(1,701,493)</u>	<u>1,308,864</u>	<u>(5,481,110)</u>		
NONOPERATING REVENUES							
Grants from CPB	1,016,684	-	-	-	1,016,684		
Grants from state agencies	51,292	-	-	-	51,292		
Grants from public broadcasting entities	11,000	-	-	-	11,000		
State and local grants and contracts	-	113,440	-	-	113,440		
Nongovernmental grants and contracts	2,900	-	-	-	2,900		
Support from the Montana University System							
Appropriations for operations	811,418	453,216	-	-	1,264,634		
Donated and indirect	776,033	114,576	-	-	890,609		
Contributions from Friends used for operations	987,996	239,456	-	-	1,227,452		
In-kind contributions	44,398	13,800	-	-	58,198		
PBS royalties	5,152	-	-	-	5,152		
Production underwriting	144,009	-	-	-	144,009		
Program underwriting	82,591	-	-	-	82,591		
Other contributions	123,437	-	-	-	123,437		
Other revenue	13,598	23,240	-	-	36,838		
Friends of MontanaPBS revenue excluding gains	-	-	1,735,329	(1,308,864)	426,465		
Friends of MontanaPBS revenue gains	-	-	(3,513)	-	(3,513)		
Total nonoperating revenues	<u>4,070,508</u>	<u>957,728</u>	<u>1,731,816</u>	<u>(1,308,864)</u>	<u>5,451,188</u>	<u>5,451,188</u>	<u>-</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES							
Interest expense	(591)	-	-	-	(591)		
Investment income	436	1,783	-	-	2,219	(2,219)	
Total other revenues, expenses, gains and losses	<u>(155)</u>	<u>1,783</u>	<u>-</u>	<u>-</u>	<u>1,628</u>	<u>2,219</u> ***	<u>(591)</u>
NET CHANGE IN NET POSITION	<u>(5,837)</u>	<u>(52,780)</u>	<u>30,323</u>	<u>-</u>	<u>(28,294)</u>		
NET POSITION - Beginning of year, as previously reported	<u>2,019,337</u>	<u>705,797</u>	<u>1,199,413</u>	<u>(1,199,413)</u>	<u>2,725,134</u>		
NET POSITION - Restatement for pension liability	<u>(482,206)</u>	<u>(357,651)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION - End of year	<u>\$ 1,531,294</u>	<u>\$ 295,366</u>	<u>\$ 1,229,736</u>	<u>\$ (1,199,413)</u>	<u>\$ 2,696,840</u>		
						Total Revenues Per AFR line 2e	\$ 5,849,496
						Total Revenues Per Financial Statements	\$ 5,849,496

*** Difference due to interest expense in the other revenues, expenses, gains & losses