FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM

June 30, 2014 and 2013

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CONTENTS

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, 2014 and 2013. 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

During fiscal year 2014, the Station saw its overall financial position decline by $744,972, or approximately 21.47%, 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 2.88%.

In fiscal year 2013, the Station experienced a slight increase in its overall financial position. Though operating expenses increased by $197,240, or approximately 3.54%, this amount was offset by an increase in non-operating revenues of $276,587, or approximately 5.43%, due primarily to an increase in the donations received from the Friends of MontanaPBS for specific operating needs, and by an increase in Grants from CPB.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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:

	2014	Restated 2013	Restated 2012
ASSETS			
Total current assets	$ 1,204,616	$ 1,024,664	$ 779,318
Capital assets, net	2,605,617	3,307,203	3,575,497
Total other non-current assets	8,426	7,361	12,920
Total Assets	$ 3,818,659	$ 4,339,228	$ 4,367,735
LIABILITIES			
Total current liabilities	$ 482,710	$ 351,544	$ 446,672
Total non-current liabilities	610,815	517,578	469,446
Total Liabilities	1,093,525	869,122	916,118
NET POSITION			
Invested in capital assets, net of related debt	2,564,978	3,303,156	3,568,234
Unrestricted	160,156	166,950	(116,617)
Total Net Position	2,725,134	3,470,106	3,451,617
Total Liabilities and Net Position	$ 3,818,659	$ 4,339,228	$ 4,367,735

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.*

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- 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.

Events or developments which occurred during 2013 (restated) include:

- Current assets increased by $245,346 due largely to an increase in cash and cash equivalents generated primarily by increased contributions received from the Friends of MontanaPBS for specific operating needs. This increase was further exaggerated by a prior year reduction of cash and cash equivalents in the amount of $168,729 which represented money spent on the Kalispell grant that was not yet received. Accounts receivable decreased $143,298 for funds due from granting agencies.

- The net decrease in capital assets of $268,294 is due primarily to current year depreciation expense and equipment disposals of $746,935, which exceeded current year acquisitions. Increases to capital assets included the addition of $468,033 in broadcasting and transmission equipment for the PBS Warning, Alert, and Response Network Grant.

- The decrease in total liabilities of $46,996 is attributed primarily to a decrease in current liabilities of $95,128. This decrease was largely due to a reduction in grant deferred revenue. The increase in the liability for other post-employment benefits (OPEB) of $62,072, which was recorded as required by GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* offset in part the decrease to current liabilities.

Statement of Revenues, Expenses and Changes in Net Position

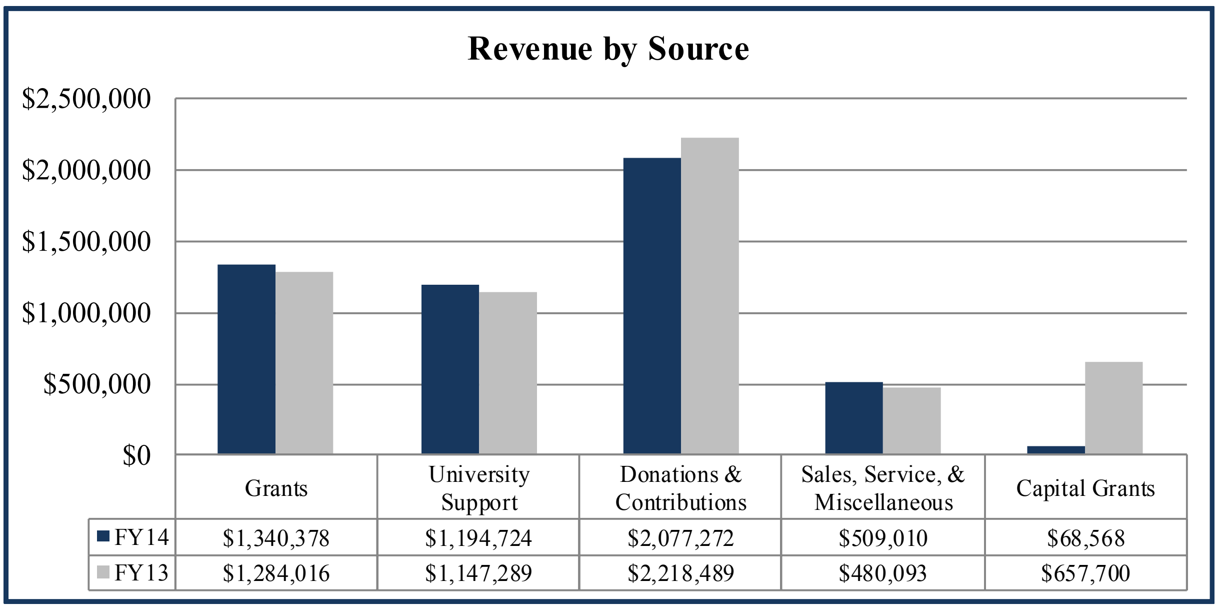
The Statement of Revenues, Expenses and Changes in Net Position present the revenues earned and the expenses incurred during the year on a full accrual basis. In accordance with GASB, revenues and expenses are classified as either operating or non-operating. Operating revenues for the Station generally result from providing services and include, program sales, contract production and lease revenues. Non-operating revenues are revenues recognized in which the Station is not directly giving equal value in return. This distinction results in a larger operating loss for the Station since non-operating revenues include grants from CPB, support from the Montana University System, grant and contract revenue, and contributions from Friends of MontanaPBS. The use of capital assets is reflected in the financial statements as depreciation, an operating expense, which allocates the cost of assets over their expected useful life. Other revenues and expenses include capital grants and gifts, and investment earnings. The FY13 and FY12 operating expenses and beginning net position were restated. Please see Note B in the notes to the accompanying financial statements.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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

	2014	Restated 2013	Restated 2012
Operating revenue	$ 452,798	$ 417,773	$ 397,723
Operating expenses	5,934,641	5,768,692	5,571,452
Operating loss	(5,481,843)	(5,350,919)	(5,173,729)
Non-operating revenues	4,659,281	4,711,719	4,487,734
Capital contributions and other items	77,590	657,688	607,429
Net increase (decrease) in net position	(744,972)	18,488	(78,566)
Net position, beginning of year, as previously reported	3,470,106	3,400,988	3,492,500
Net position, prior period adjustment	-	50,630	37,684
Net position, end of year	$ 2,725,134	$ 3,470,106	$ 3,451,618

The following chart provides a graphical representation of revenues by source for fiscal years 2014 and 2013:



<u>Events or developments which occurred during 2014 include:</u>

- 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 $34,347, 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.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- 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 Federal funding for major capital projects of $583,639. The capital projects were largely completed at the end of 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.

Events or developments which occurred during 2013 (restated) include:

- In FY13, operating revenues increased slightly, and non-operating revenues grew largely from an increase in contributions from Friends of $228,564, and grants from CPB of $64,435.

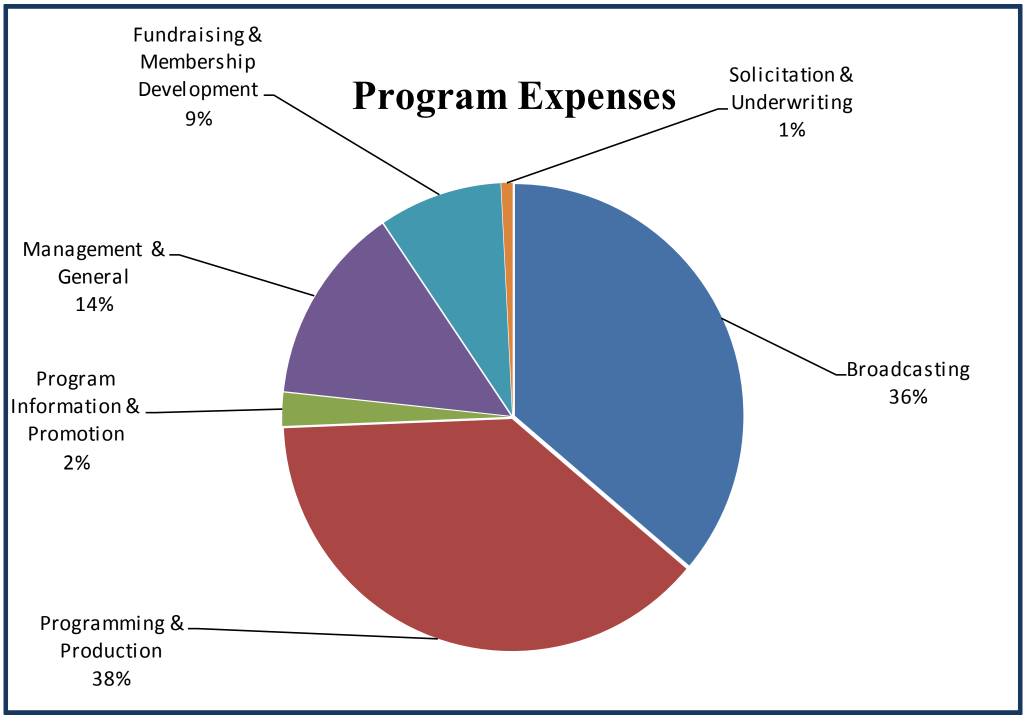
- Total operating expenses increased by $197,240 due primarily to a $206,976 increase in programming and production expenses resulting for the most part from an increase in public broadcasting dues. The increase in programming and production was offset by a $41,892 decrease in solicitation and underwriting.

- The Station received capital grants and gifts of $657,700 in FY13 to help fund major capital projects.

- 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.

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 2014:



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:

	2014	Restated 2013	Restated 2012
CASH PROVIDED BY (USED IN)			
Operating activities	$ (3,632,355)	$ (3,617,158)	$ (3,418,127)
Noncapital financing activities	3,867,421	3,805,746	3,507,500
Capital and related financing activities	19,056	195,583	(150,424)
Investing activities	5,922	5,307	2,955
Net change in cash and cash equivalents	260,044	389,478	(58,096)
Cash and cash equivalents – beginning of year	834,533	445,055	503,151
Cash and cash equivalents – end of year	$ 1,094,577	$ 834,533	$ 445,055

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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.

Events or developments which occurred during 2013 (restated) include:

- Cash provided by operating activities totaled $3,617,158, in 2013. The operating loss on an accrual basis of $5,350,919 is adjusted for noncash operating expenses, primarily indirect university support of $913,596 and depreciation expense of $752,183,

- Noncapital financing activities provided $3,867,421 in cash. This net cash inflow was due primarily to contributions from Friends of MontanaPBS ($1,168,509), state appropriations ($1,147,289) and grants and contracts ($1,203,447).

- Capital and related financing activities provided $195,583 in cash. This net cash inflow was due largely to $657,700 in capital grants received during the year, offset by capital asset purchases of $458,900.

ECONOMIC OUTLOOK

- 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. The stations will increase investment in professional renewal and acquisition mail services, allowing station development staff to devote time to membership stewardship and growth. Personnel turnover has slowed the roll-out of a comprehensive plan for major and planned giving activities. The position will be incorporated into the stations' development team to maximize coordination and effectiveness.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Increases in PBS member dues and the lingering impact of the University of Montana budget cuts continue to affect the stations' operating budgets. Federal funding for the Corporation for Public Broadcasting remains flat, and is projected to remain flat, an accomplishment in the current budget-cutting climate. Inflation erodes flat funding over time and station operations must seek additional revenue sources.

- Station management remains concerned about infrastructure replacement and growth. Federal funding sources are scarce and highly competitive. Major giving and corporate/foundation appeals must be developed to assist with this challenge. State funding requires significant planning and coordination within the Montana University System's competitive budget process. No increases in state funding are anticipated before 2018/19 fiscal biennium.

- An additional concern in the coming years is the pending FCC auction of broadcast spectrum. The particulars of this process are still largely unknown, but it appears that there is little upside for our stations, but some risk. In particular, management is concerned about unfunded costs related to our 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.

- MontanaPBS' current financial position is positive and management remains optimistic that the organization is positioned for continued growth, improved service, and financial stability.

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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 year ended June 30, 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.

The financial statements of MontanaPBS as of June 30, 2013 were audited by Galusha, Higgins & Galusha, PC which combined its practice with Wipfli LLP as of December 31, 2014 whose reported dated December 20, 2013, expressed an unmodified opinion on those statements.

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 audit 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 opinions.

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, 2014 and 2013, 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, the June 30, 2013 financial statements have been restated for a prior period adjustment. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedule of funding status for other post retirement benefits for health insurance 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MontanaPBS's basic financial statements. The supplemental information presented on pages 34 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information on pages 34 through 39 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 14, 2015

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

ASSETS	2014	Restated 2013
CURRENT ASSETS		
Cash and cash equivalents	$ 1,094,577	$ 834,533
Accounts receivable	48,400	34,420
Grants receivable	-	83,918
Prepaid expenses	61,639	71,793
Total current assets	1,204,616	1,024,664
CAPITAL ASSETS, Net of accumulated depreciation - Note D	2,605,617	3,307,203
NONCURRENT ASSETS		
Prepaid expenses	8,426	7,361
Total noncurrent assets	8,426	7,361
Total assets	$ 3,818,659	$ 4,339,228
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 28,089	$ 54,213
Unearned revenue	233,221	147,428
Current portion, compensated absences	213,059	146,455
Current portion, long-term debt	5,909	-
Current portion, capital lease obligations	2,432	3,448
Total current liabilities	482,710	351,544
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	113,497	97,723
Long-term debt, net of current portion	24,090	-
Capital lease, net of current portion	8,208	599
Net OPEB obligation	465,020	419,256
Total noncurrent liabilities	610,815	517,578
Total liabilities	1,093,525	869,122
NET POSITION		
Invested in capital assets, net of related debt	2,564,978	3,303,156
Unrestricted	160,156	166,950
Total net position	2,725,134	3,470,106
Total liabilities and net position	$ 3,818,659	$ 4,339,228

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

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	**$ 81,010**	$ 80,334
Restricted cash	**733,723**	671,990
Investments - restricted	**382,284**	451,691
Prepaid expense	**10,225**	9,489
Premium inventory	**11,810**	5,334
Total assets	**$ 1,219,052**	$ 1,218,838
LIABILITIES		
Accounts payable	**$ 2,792**	$ 11,156
Due to affiliate	**16,847**	-
Deferred revenue	**-**	4,885
Total liabilities	**19,639**	16,041
NET ASSETS		
Unrestricted	**83,406**	79,116
Temporarily restricted	**1,116,007**	1,123,681
Total net assets	**1,199,413**	1,202,797
Total liabilities and net assets	**$ 1,219,052**	$ 1,218,838

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

	2014	Restated 2013
OPERATING REVENUES		
Sales and services	**$ 84,144**	$ 60,575
Contract production	**167,088**	158,264
Broadband lease	**51,566**	48,934
State support - transponder lease	**150,000**	150,000
Total operating revenues	**452,798**	417,773
OPERATING EXPENSES		
Broadcasting	**2,146,603**	2,154,174
Programming and production	**2,266,307**	2,184,840
Program information and promotion	**137,776**	167,184
Management and general	**820,274**	717,787
Fundraising and membership development	**515,594**	500,215
Solicitation and underwriting	**48,087**	44,492
Total operating expenses	**5,934,641**	5,768,692
OPERATING LOSS	**(5,481,843)**	(5,350,919)
NONOPERATING REVENUES		
Grants from CPB	**990,464**	1,026,947
Grants from state agencies	**66,000**	40,000
Grants from public broadcasting entities	**28,923**	18,103
State and local grants and contracts	**18,477**	11,136
Nongovernmental grants and contracts	**73,415**	37,830
Support from the Montana University System		
Appropriations for operations	**1,194,724**	1,147,289
Donated and indirect	**922,994**	913,592
Contributions from Friends used for operations	**1,030,889**	1,153,953
In-kind underwriting contributions	**50,536**	35,387
PBS royalties	**6,101**	20,499
Production underwriting	**143,558**	127,796
Program underwriting	**84,674**	89,021
Other contributions	**24,330**	55,383
Other revenue	**24,196**	34,783
Total nonoperating revenues	**4,659,281**	4,711,719
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Contributions from Friends for capital projects	**-**	74,061
Federal grants and contracts for capital projects	**68,568**	583,639
Interest Expense	**(283)**	(407)
Investment income, net	**5,922**	395
Gain on sale of assets	**3,383**	-
Total other revenues, expenses, gains and losses	**77,590**	657,688
CHANGE IN NET POSITION	**(744,972)**	18,488
NET POSITION - Beginning of year, as previously reported	**3,470,106**	3,400,988
NET POSITION - Prior period adjustment	**-**	50,630
NET POSITION - End of year	**$ 2,725,134**	$ 3,470,106

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

	Unrestricted	Temporarily Restricted	Totals
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	1,468,656	(7,674)	1,460,982
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	1,142,109	-	1,142,109
Other program services:			
Program guide costs	62,548	-	62,548
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	231,519	-	231,519
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	28,190	-	28,190
Total expenses	1,464,366	-	1,464,366
Change in Net Assets	4,290	(7,674)	(3,384)
Net assets at beginning of year	79,116	1,123,681	1,202,797
NET ASSETS AT END OF YEAR	$ 83,406	$ 1,116,007	$ 1,199,413

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, 2013

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Donations - unrestricted	$ 430,192	$ -	$ 430,192
Donations - restricted	-	362,518	362,518
Membership dues	725,690	-	725,690
Interest and dividend income	88	3,023	3,111
Realized gain on investment	-	1,490	1,490
Unrealized gain on investment	-	4,629	4,629
Satisfaction of program requirements	386,804	(386,804)	-
Total support	1,542,774	(15,144)	1,527,630
EXPENSES			
Program Services: Payments to affiliates:			
KUSM Television per contract	750,504	-	750,504
KUFM Television per contract	187,625	-	187,625
KUFM Television programming support	55,000	-	55,000
KUSM Television programming support	54,960	-	54,960
Additional support for operations	190,000	-	190,000
Equipment - major	74,061	-	74,061
Equipment - minor	2,656	-	2,656
Total payments to affiliates	1,314,806	-	1,314,806
Other program services:			
Program guide costs	22,843	-	22,843
Program guide mail preparation	27,005	-	27,005
Program guide postage	26,345	-	26,345
Total program services	76,193	-	76,193
Fundraising:			
Credit card and bank fees	16,900	-	16,900
Governmental affairs	587	-	587
Pledge drive premiums and support	99,030	-	99,030
Postage and direct mail preparation	803	-	803
Promotion and promotional premiums	5,584	-	5,584
Total fundraising	122,904	-	122,904
Management and administrative:			
Accounting and bookkeeping services	11,821	-	11,821
Contracted services	9,717	-	9,717
Insurance	1,754	-	1,754
Met Net	1,358	-	1,358
Miscellaneous	489	-	489
Travel and conferences	12,680	-	12,680
Total management and administration	37,819	-	37,819
Total expenses	1,551,722	-	1,551,722
Change in Net Assets	(8,948)	(15,144)	(24,092)
Net assets at beginning of year	88,064	1,138,825	1,226,889
NET ASSETS AT END OF YEAR	$ 79,116	$1,123,681	$ 1,202,797

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

	2014	Restated 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales and services of educational activities	**$ 296,690**	$ 271,581
State support - transponder lease	**150,000**	150,000
Compensation and benefits	**(2,146,366)**	(1,985,140)
Other operating expenses	**(1,932,679)**	(2,053,599)
Net cash from operating activities	**(3,632,355)**	(3,617,158)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Friends of MontanaPBS	**1,020,655**	1,168,509
Production underwriting	**134,080**	117,123
State appropriations	**1,194,724**	1,147,289
Grants and contracts	**1,391,757**	1,203,447
Other receipts	**126,205**	169,378
Net cash from noncapital financing activities	**3,867,421**	3,805,746
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	**(52,044)**	(458,900)
Cash received from the sale of capital assets	**6,558**	-
Cash received from capital grants and contributions	**68,568**	657,700
Principal and interest paid on long-term debt	**(4,026)**	(3,217)
Net cash from capital and related financing activities	**19,056**	195,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	**5,922**	5,307
NET CHANGE IN CASH AND CASH EQUIVALENTS	**260,044**	389,478
CASH AND CASH EQUIVALENTS - Beginning of year	**834,533**	445,055
CASH AND CASH EQUIVALENTS - End of year	**$ 1,094,577**	$ 834,533
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	**$ (5,481,843)**	$ (5,350,919)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	**725,832**	752,183
In-kind non-cash operating activities	**50,536**	35,387
Non-cash indirect university support	**922,994**	913,596
Net loss on disposal of assets	**64,956**	-
(Increase) decrease in assets		
Accounts receivable	**6,272**	(2,538)
Prepaid expenses	**(10,738)**	13,011
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**(26,123)**	(19,799)
Compensated absences	**82,377**	(26,495)
Deferred revenue	**(12,380)**	6,344
Change in net OPEB obligation	**45,762**	62,072
Net cash flows from operating activities	**$ (3,632,355)**	$ (3,617,158)

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ (3,384)**	$ (24,092)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investment	**(25,226)**	(4,629)
Realized (gain) loss on investment	**(2,215)**	(1,490)
(Increase) decrease in:		
Prepaid expense	**(736)**	(7,710)
Interest receivable	**-**	1,874
Premium inventory	**-**	(1,342)
Due from affiliate	**(6,475)**	7,782
Increase (decrease) in:		
Accounts payable	**(8,364)**	7,767
Due to affiliate	**16,847**	(14,556)
Deferred revenue	**(4,885)**	4,885
Cash flows from operating activities	**(34,438)**	(31,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from (purchases of) investments	**96,847**	9,734
Cash flows from investing activities	**96,847**	9,734
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**62,409**	(21,777)
CASH AND CASH EQUIVALENTS - Beginning of year	**752,324**	774,101
CASH AND CASH EQUIVALENTS - End of year	**$ 814,733**	$ 752,324
Cash and cash equivalents - unrestricted	**$ 81,010**	$ 80,334
Cash and cash equivalents - restricted	**733,723**	671,990
Totals	**$ 814,733**	$ 752,324

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

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, 2014, 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).

Continued

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 asses 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.

Continued

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.

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, 2014 and 2013 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.*

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

Continued

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2014, 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.

Continued

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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, 2014 and 2013. 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, 2014.

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.

Reclassifications. Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

Continued

NOTE B PRIOR PERIOD ADJUSTMENT

Net position as of July 1, 2012 has been restated to correct the other post employment benefit liability balance and amounts recorded as investments which were not assets of the Stations. The correction of the other post employment benefit liability balance resulted in an increase of reported June 30, 2013 net position of $68,738 and increased reported June 30, 2013 change in net position by $16,498. The correction of the investments balances resulted in an decrease of reported June 30, 2013 net position of $18,108 and decreased reported June 30, 2013 change in net position by $138,071. The total of these corrections was an increase in reported June 30, 2013 net position of $50,630 and decreased reported June 30, 2013 change in net position by $121,573.

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 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.

Continued

NOTE D CAPITAL ASSETS

Activity for capital assets for the year ended June 30, 2014 is summarized below:

	Beginning Balance	Additions	Disposal	Ending Balance
Studio and broadcast equipment	$ 4,558,910	$ 18,612	$ (401,264)	$ 4,176,258
Production equipment	2,213,482	-	(106,716)	2,106,766
Vehicles	20,874	53,199	(20,874)	53,199
Software	13,528	-	-	13,528
Office machines	15,245	10,335	(15,245)	10,335
Transmission, antenna & tower	4,734,650	10,232	(59,325)	4,685,557
Accumulated depreciation	(8,249,486)	(725,832)	535,292	(8,440,026)
Total capital assets, net	$ 3,307,203	$ (633,454)	$ (68,132)	$ 2,605,617

NOTE E LONG TERM LIABILITIES

The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	**Balance June 30, 2014**	Due in One Year
OPEB - restated	$ 419,256	$ 45,764	$ -	**$ 465,020**	$ -
Compensated absences	244,178	82,378	-	**326,556**	213,059
Long-term debt	-	30,000	-	**30,000**	5,909
Capital leases	4,047	10,335	3,742	**10,640**	2,432
	$ 667,481	$168,477	$ 3,742	**$ 832,216**	$221,400

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.

Continued

NOTE E LONG TERM LIABILITIES, continued

The following is a schedule of cash requirements for the year ending June 30, 2014:

	Capital Lease Obligation	
	Principal	Interest
2015	$ 2,432	$ 591
2016	1,953	466
2017	2,081	338
2018	2,217	202
2019	1,957	58
	$ 10,640	$ 1,655

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, 2014:

	Long-term Debt	
	Principal	Interest
2015	$ 5,909	$ 257
2016	5,940	226
2017	6,000	166
2018	6,060	106
2019	6,091	46
	$ 30,000	$ 801

NOTE F OPERATING LEASES

LESSEE OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2014 and 2013 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 5-year service contract with Public Broadcasting Service for a digital satellite transponder. The total of the original contract was $1,008,000 and expired in September 2008. The lease was extended through September 2013 with monthly payments of $12,965 due each month. This lease was subsequently extended through September 2015.

Continued

NOTE F OPERATING LEASES, continued

The future minimum obligations under the satellite transponder lease as of June 30, 2014, are as follows:

For Years Ending June 30:

2015	$	155,580
2016		38,895
Total	$	194,475

Rental Activity. Rental Activity, including amortization of prepaid rent, for the year ended June 30, 2014 is as follows:

Satellite transponder lease	$ 155,580

LESSOR OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2014 and 2013 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:

2015	$	52,706
2016		54,166
2017		55,675
2018		57,219
2019		58,809
Total	$	278,575

Continued

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 Optional Retirement Program (ORP). The PERS and TRS plans are defined benefit retirement plans. The PERS and the TRS are 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 ORP.

The amounts contributed to the plans during the year ended June 30, 2014 were equal to the required contributions for the year:

	PERS	TRS	ORP
KUSM TV	$27,389	$31,617	$44,798
KUFM TV	$21,078	$ -	$11,849

Following is a schedule of required contributions to the plan:

	Contributions (as a percentage of salary)	
	Employee	Employer
Public Employees' Retirement System (PERS)	7.900%	8.200%
Teacher's Retirement System (TRS)	8.150%	10.850%
Optional Retirement Program (ORP)	7.847%	4.490%

The above funding policies provide for periodic employer and employee contributions at rates specified by State law. Contribution requirements are not actuarially determined. An actuary determines the actuarial implications of the funding requirements in a biennial actuarial evaluation. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payrolls. To maintain the fund on an actuarially sound basis, the rate of contributions should fund the normal cost in addition to amortizing the unfunded liability over a period of 40 years. Each system functions uniquely as described as follows:

Public Employees' Retirement System (PERS). This system was established in 1945 and governed by Title 19, Chapter 3 of the Montana Code Annotated, as a cost-sharing multi-employer defined benefit pension plan that provides retirement services to substantially all public employees. Effective July 1, 2002, eligible new employees are defaulted into the PERS plan and have one year from their date of hire to elect whether to stay in the PERS plan, enroll in the ORP plan, or enroll in the PERS Defined Contribution Plan.

 Continued

NOTE G EMPLOYEE BENEFIT PLANS, continued

Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service.

Monthly retirement benefits are determined by multiplying 1/56 by the number of years of service by the final average salary (average of three highest years), unless the employee has 25 years of service, in which case the multiplier is 1/50. Members' rights become vested after 5 years of service. Additional information or a separate financial statement can be obtained from the State of Montana, Department of Administration, Public Employees' Retirement Administration, P. O. Box 200131, Helena, MT 59620-0131.

Teachers' Retirement System (TRS). This mandatory system established in 1937 and governed by Title 19, Chapter 4 of the Montana Code Annotated, is a cost-sharing multi-employer defined benefit pension plan that provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center or unit of the university system. Eligibility is met with a minimum of 25 years of service or age 60 with at least 5 years of creditable service. The formula for accrual benefits is 1/60 times creditable service times the average final compensation (average of three highest years). Rights are vested after 5 years of the creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Additional information or a separate financial statement can be obtained from the State of Montana, Department of Administration, Teachers' Retirement Division, P. O. Box 200239, Helena, MT 59620-01391.

Optional Retirement Program (ORP). This system was established in January of 1998, and is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF). The ORP is a defined contribution plan. The benefits at retirement depend upon the amount of investing gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF (therefore, the employee assumes the investment risk for their retirement). Montana State University records employee/employer contributions, and remits monies to TIAA-CREF. Individuals are immediately vested with contributions. For ORP participants 2.68% was contributed to TRS as employer contributions to amortize past service unfunded liability in accordance with State law.

Pension Benefit Obligation is not available on an agency basis, but is available on a statewide basis from the Montana Retirement System of TIAA-CREF.

Other Post-Employment 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.

Continued

NOTE G EMPLOYEE BENEFIT PLANS, continued

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://afsd.mt.gov/CAFR/CAFR.asp or by contacting the Montana Department of Administration, P. O. Box 200102, Helena, MT 59620-0102.

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, 2014 and June 30, 2013, the universities' combined annual OPEB cost (expense) of $9,290,537 and $11,880,761 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 1,913. During the year ended June 30, 2014 and 2013, the Universities contributed $64,054,655 and $58,035,434 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 0% for both years, and the net OPEB obligation was $94,216,726 and $85,742,049 for 2014 and 2013 respectively. The funded status of the plan as of June 30 was 0% for both years.

Continued

NOTE G EMPLOYEE BENEFIT PLANS, continued

The Universities' OPEB obligation is:

Year ended June 30	**2014**	Restated 2013	Restated 2012
Annual required contribution	**$ 9,290,537**	$ 11,880,761	$ 11,396,161
Interest on net OPEB obligation	**3,640,577**	3,145,406	2,646,707
Amortization of net OPEB obligation	**(2,855,354)**	(2,466,985)	(2,075,848)
Annual OPEB cost	**10,075,760**	12,559,182	11,967,020
Contributions made	**(1,601,083)**	(871,808)	(196,351)
Increase to net OPEB obligation	**8,474,677**	11,687,374	11,770,669
Net OPEB obligation - Beginning of year	**85,742,049**	74,054,675	62,284,006
Net OPEB obligation - End of year	**$ 94,216,726**	$ 85,742,049	$ 74,054,675

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.

Continued

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.

<u>Federal Interest Period</u>. 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, 2014, the Stations received monetary support from Friends of MontanaPBS, Inc. as disclosed in the statements.

Continued

NOTE J IN-KIND CONTRIBUTIONS

The following in-kind contributions were recorded in MontanaPBS's financial statements for the year ended June 30, 2014:

University indirect administrative support and occupancy	$922,994
In-kind services provided by program sponsors	50,536
Total	$973,530

During fiscal year 2013 an in-kind contribution of capital equipment was made worth $24,989. This represents a non-cash capital financing activity.

NOTE K SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014. This analysis has been performed through January 14, 2015, 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.

REQUIRED SUPPLEMENTAL INFORMATION

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:

	2009	2011	2013
Actuarial accrued liability (AAL)	$ 173,109,813	$ 103,580,683	$ 89,772,725
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	$ 173,109,813	$ 103,580,683	$ 89,772,725
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:

Actuarial Valuation Date	2009	2011	2013
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
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	2014 Total Expenses	Restated 2013 Total Expenses
Salaries and benefits	$ 839,726	$ 639,328	$ 75,368	$ 1,554,422	$ 448,987	$ 227,749	$ 32,507	$ 2,263,665	$ 1,990,697
Services	22,637	101,961	15,289	139,887	25,315	123,677	-	288,879	421,229
Supplies	139,081	154,163	3,656	296,900	31,905	2,987	-	331,792	362,982
Communications	173,319	59,130	182	232,631	16,857	27,833	-	277,321	262,298
Travel	22,533	64,794	6,177	93,504	15,155	4,069	11	112,739	102,026
Rent	16,616	13,333	-	29,949	4,562	-	-	34,511	33,533
Repair and maintenance	35,569	34,910	-	70,479	5,703	-	-	76,182	57,611
Public broadcasting dues	-	703,821	-	703,821	-	-	-	703,821	669,474
Other	12,240	124,326	1,050	137,616	38,991	20,298	-	196,905	202,695
Indirect costs	358,404	214,141	36,054	608,599	189,845	108,981	15,569	922,994	913,963
Depreciation and amortization	526,478	156,400	-	682,878	42,954	-	-	725,832	752,184
Total operating expenses	$ 2,146,603	$ 2,266,307	$ 137,776	$ 4,550,686	$ 820,274	$ 515,594	$ 48,087	$ 5,934,641	$ 5,768,692

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF NET POSITION
June 30, 2014

ASSETS	KUSM	KUFM	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 822,459	$ 272,118	$ 1,094,577
Accounts receivable	37,079	11,321	48,400
Prepaid expenses	44,703	16,936	61,639
Total current assets	904,241	300,375	1,204,616
CAPITAL ASSETS			
Studio and broadcast equipment	2,855,400	1,320,858	4,176,258
Production equipment	2,106,766	-	2,106,766
Vehicles	53,199	-	53,199
Software	13,528	-	13,528
Office machines	10,335	-	10,335
Transmission, antenna, tower	3,867,808	817,749	4,685,557
Accumulated depreciation	(6,984,662)	(1,455,364)	(8,440,026)
Total capital assets	1,922,374	683,243	2,605,617
NONCURRENT ASSETS			
Prepaid expenses	8,426	-	8,426
Total noncurrent assets	8,426	-	8,426
Total assets	$ 2,835,041	$ 983,618	$ 3,818,659
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 14,987	$ 13,102	$ 28,089
Unearned revenue	198,242	34,979	233,221
Current portion, compensated absences	157,040	56,019	213,059
Current portion, long-term debt	5,909	-	5,909
Current portion, capital lease obligations	2,432	-	2,432
Total current liabilities	378,610	104,100	482,710
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	35,627	77,870	113,497
Long-term debt, net of current portion	24,090	-	24,090
Capital lease, net of current portion	8,208	-	8,208
Net OPEB obligation	369,169	95,851	465,020
Total noncurrent liabilities	437,094	173,721	610,815
Total liabilities	815,704	277,821	1,093,525
NET POSITION			
Invested in capital assets, net of related debt	1,881,735	683,243	2,564,978
Unrestricted	137,602	22,554	160,156
Total net position	2,019,337	705,797	2,725,134
Total liabilities and net position	$ 2,835,041	$ 983,618	$ 3,818,659

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, 2014

	KUSM	KUFM	Total
OPERATING REVENUES			
Sales and services	$ 36,789	$ 47,355	$ 84,144
Contract production	167,088	-	167,088
Broadband lease	51,566	-	51,566
State support - transponder lease	150,000	-	150,000
Total operating revenues	405,443	47,355	452,798
OPERATING EXPENSES			
Broadcasting	1,832,839	313,764	2,146,603
Programming and production	1,618,424	647,883	2,266,307
Program information and promotion	137,776	-	137,776
Management and general	638,654	181,620	820,274
Fundraising and membership development	515,594	-	515,594
Solicitation and underwriting	48,087	-	48,087
Total operating expenses	4,791,374	1,143,267	5,934,641
OPERATING INCOME (LOSS)	(4,385,931)	(1,095,912)	(5,481,843)
NONOPERATING REVENUES			
Grants from CPB	990,464	-	990,464
Grants from state agencies	66,000	-	66,000
Grants from public broadcasting entities	28,923	-	28,923
State and local grants and contracts	-	18,477	18,477
Nongovernmental grants and contracts	3,234	70,181	73,415
Support from the Montana University System			
Appropriations for operations	753,442	441,282	1,194,724
Donated and indirect	819,409	103,585	922,994
Contributions from Friends used for operations	839,384	191,505	1,030,889
In-kind contributions	36,151	14,385	50,536
PBS royalties	6,101	-	6,101
Production underwriting	143,558	-	143,558
Program underwriting	84,674	-	84,674
Other contributions	24,330	-	24,330
Other revenue	13,099	11,097	24,196
Total nonoperating revenues	3,808,769	850,512	4,659,281
OTHER REVENUES, EXPENSES, GAINS AND LOSSES			
Federal grants and contracts for capital projects	68,568	-	68,568
Interest Expense	(283)	-	(283)
Investment income	410	5,512	5,922
Gain on sale of assets	3,383	-	3,383
Total other revenues, expenses, gains and losses	72,078	5,512	77,590
NET CHANGE IN NET POSITION	(505,084)	(239,888)	(744,972)
NET POSITION - Beginning of year, as previously reported	2,603,092	937,957	3,541,049
NET POSITION - Prior period adjustment	(78,671)	7,728	(70,943)
NET POSITION - End of year	$ 2,019,337	$ 705,797	$ 2,725,134

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF CASH FLOWS
for the year ended June 30, 2014

	KUSM	KUFM	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales and services of educational activities	$ 249,335	$ 47,355	$ 296,690
State support - transponder lease	150,000	-	150,000
Compensation and benefits	(1,598,399)	(547,967)	(2,146,366)
Other operating expenses	(1,751,408)	(181,271)	(1,932,679)
Net cash from operating activities	(2,950,472)	(681,883)	(3,632,355)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions from Friends of MontanaPBS	829,150	191,505	1,020,655
Production underwriting	134,080	-	134,080
State appropriations	753,442	441,282	1,194,724
Grants and contracts	1,261,093	130,664	1,391,757
Other receipts	115,108	11,097	126,205
Net cash from noncapital financing activities	3,092,873	774,548	3,867,421
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(52,044)	-	(52,044)
Cash received from the sale of capital assets	6,558	-	6,558
Cash received from capital grants and contributions	68,568	-	68,568
Principal and interest paid on long-term debt	(4,026)	-	(4,026)
Net cash from capital and related financing activities	19,056	-	19,056
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	410	5,512	5,922
NET CHANGE IN CASH AND CASH EQUIVALENTS	161,867	98,177	260,044
CASH AND CASH EQUIVALENTS - Beginning of year	660,593	173,940	834,533
CASH AND CASH EQUIVALENTS - End of year	$ 822,460	$ 272,117	$ 1,094,577
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	$ (4,385,931)	$ (1,095,912)	$ (5,481,843)
Adjustments to reconcile change in net position to net cash from operating activities			
Depreciation and amortization	513,287	212,545	725,832
In-kind non-cash operating expenses	36,151	14,385	50,536
Non-cash indirect university support	819,409	103,585	922,994
Net loss on disposal of assets	-	64,956	64,956
(Increase) decrease in assets			
Accounts receivable	6,272	-	6,272
Prepaid expenses	(10,738)	-	(10,738)
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	(30,124)	4,001	(26,123)
Compensated absences	75,353	7,024	82,377
Deferred revenue	(12,380)	-	(12,380)
Net OPEB obligation	38,229	7,533	45,762
Net cash flows from operating activities	$ (2,950,472)	$ (681,883)	$ (3,632,355)

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

	KUSM	KUFM	Friends of MontanaPBS, Inc.	2014 Total	2013 Total
SUPPORT AND REVENUES					
Total support and revenues per statement of revenue, expenses, and changes in net position					
Operating revenues	$ 405,443	$ 47,355	$ -	$ 452,798	$ 5,258,381
Nonoperating revenues	3,808,769	850,512	1,460,982	6,120,263	2,187,596
Other revenues	72,361	5,512	-	77,873	7,776
Subtotal per CPB report Schedule F	4,286,573	903,379	1,460,982	6,650,934	7,453,753
Less					
Restatement of prior year recognized NFFS	146,448	9,732	-	156,180	-
Federal support	5,000	-	-	5,000	-
Public broadcasting support	1,041,720	-	-	1,041,720	1,654,754
Friends revenue presented discretely	-	-	1,142,109	1,142,109	1,314,806
In-kind revenue (not NFFS)	4,421	-	-	4,421	2,200
Capital grants and contributions	68,568	-	-	68,568	49,927
Miscellaneous other items	174,281	-	27,441	201,722	190,725
Subtotal	1,440,438	9,732	1,169,550	2,619,720	3,212,412
Non-Federal financial support per CPB report summary, Line 5	$ 2,846,135	$ 893,647	$ 291,432	$ 4,031,214	$ 4,241,341
EXPENSES					
Total expenses per statement of revenues, expenses, and changes in net position	$ 4,791,657	$ 1,143,267	$ 1,464,366	$ 7,399,290	$ 7,337,784
Less contributions from Friends of Montana PBS to Montana PBS/ KUSM TV/KUFM TV	-	-	1,142,109	1,142,109	1,314,806
OPERATING EXPENSES PER CPB Report Summary, Schedule E, Line 8	$ 4,791,657	$ 1,143,267	$ 322,257	$ 6,257,181	$ 6,022,978

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES
for the year ended June 30, 2014

	KUSM	KUFM	Friends of MontanaPBS	Eliminations	Total
OPERATING REVENUES					
Sales and services	$ 36,789	$ 47,355	$ -	$ -	$ 84,144
Contract production	167,088	-	-	-	167,088
Broadband lease	51,566	-	-	-	51,566
State support - transponder lease	150,000	-	-	-	150,000
Total operating revenues	405,443	47,355	-	-	452,798
OPERATING EXPENSES					
Broadcasting	1,832,839	313,764	-	-	2,146,603
Programming and production	1,618,424	647,883	-	-	2,266,307
Program information and promotion	137,776	-	-	-	137,776
Management and general	638,654	181,620	-	-	820,274
Fundraising and membership development	515,594	-	-	-	515,594
Solicitation and underwriting	48,087	-	-	-	48,087
Friends of MontanaPBS payments to stations	-	-	1,142,109	(1,142,109)	-
Friends of MontanaPBS other expenses	-	-	322,257	-	322,257
Total operating expenses	4,791,374	1,143,267	1,464,366	(1,142,109)	6,256,898
OPERATING INCOME (LOSS)	(4,385,931)	(1,095,912)	(1,464,366)	1,142,109	(5,804,100)
NONOPERATING REVENUES					
Grants from CPB	990,464	-	-	-	990,464
Grants from state agencies	66,000	-	-	-	66,000
Grants from public broadcasting entities	28,923	-	-	-	28,923
State and local grants and contracts	-	18,477	-	-	18,477
Nongovernmental grants and contracts	3,234	70,181	-	-	73,415
Support from the Montana University System					
Appropriations for operations	753,442	441,282	-	-	1,194,724
Donated and indirect	819,409	103,585	-	-	922,994
Contributions from Friends used for operations	839,384	191,505	-	-	1,030,889
In-kind contributions	36,151	14,385	-	-	50,536
PBS royalties	6,101	-	-	-	6,101
Production underwriting	143,558	-	-	-	143,558
Program underwriting	84,674	-	-	-	84,674
Other contributions	24,330		-	-	24,330
Other operating revenue	13,099	11,097	-	-	24,196
Friends of MontanaPBS revenue excluding gains	-	-	1,433,541	(1,142,109)	291,432
Friends of MontanaPBS revenue gains	-	-	27,441	-	27,441
Total nonoperating revenues	3,808,769	850,512	1,460,982	(1,142,109)	4,978,154
OTHER REVENUES, EXPENSES, GAINS AND LOSSES					
Federal grants and contracts for capital projects	68,568	-	-	-	68,568
Interest expense	(283)	-	-	-	(283)
Investment income	410	5,512	-	-	5,922
Gain on sale of assets	3,383	-	-	-	3,383
Additions to permanent endowments	-	-	-	-	-
Total other revenues, expenses, gains and losses	72,078	5,512	-	-	77,590
NET CHANGE IN NET POSITION	(505,084)	(239,888)	(3,384)	-	(748,356)
NET POSITION - Beginning of year, as previously reported	2,603,092	937,957	1,202,797	(1,202,797)	3,541,049
NET POSITION - Prior period adjustment	(78,671)	7,728	-	-	-
NET POSITION - End of year	$ 2,019,337	$ 705,797	$ 1,199,413	$ (1,202,797)	$ 2,792,693