FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

AND SUPPLEMENTAL INFORMATION

VERMONT ETV, INC.

JUNE 30, 2015 AND 2014

VERMONT ETV, INC.

JUNE 30, 2015 AND 2014

CONTENTS

GALLAGHER, FLYNN & COMPANY, LLP

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Independent Auditor's Report

To the Board of Directors of
Vermont ETV, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Vermont ETV, Inc., (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont ETV, Inc., as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - unrestricted is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gallagher, Flynn & Company, LLP

October 28, 2105

VERMONT ETV, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

A S S E T S

	2015	2014
CURRENT ASSETS		
Cash	$ 278,803	$ 267,171
Pledges receivable, less allowance for uncollectible pledges and discounts of $9,114 in 2015 and $15,009 in 2014	91,247	130,794
Accounts receivable, less allowance for uncollectible accounts of $875 in 2015 and 2014	100,195	93,628
Other receivable	-	189,353
Prepaid expenses and other	153,004	128,817
Investments	2,369,347	2,257,576
Total current assets	2,992,596	3,067,339
PROPERTY AND EQUIPMENT, net	5,242,326	5,750,313
Total assets	$ 8,234,922	$ 8,817,652

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ 553,385	$ 690,093
Accrued expenses	391,356	462,672
Deferred revenues - current portion	318,249	287,684
Total current liabilities	1,262,990	1,440,449
SUPPLEMENTAL BENEFIT PLAN LIABILITY	326,700	308,679
DEFERRED REVENUE, net of current portion	341,250	376,250
LIABILITY UNDER SPLIT-INTEREST AGREEMENTS	35,130	38,757
Total liabilities	1,966,070	2,164,135
NET ASSETS		
Unrestricted	6,268,852	6,651,894
Temporarily restricted	-	1,623
Total net assets	6,268,852	6,653,517
Total liabilities and net assets	$ 8,234,922	$ 8,817,652

The accompanying notes are an integral part of these statements.

VERMONT ETV, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,

	2015			2014		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE						
Support:						
Contributions	$ 2,243,068	$ -	$ 2,243,068	$ 2,256,367	$ -	$ 2,256,367
Program and production underwriting	533,435	-	533,435	546,574	-	546,574
Special event, net of direct costs of $118,720 in 2015 and $126,291 in 2014	5,905	-	5,905	33,924	-	33,924
Revenue:						
Program grants	1,676,821	-	1,676,821	1,661,578	-	1,661,578
Media services and sales	149,058	-	149,058	87,564	-	87,564
License and lease revenue	1,041,006	-	1,041,006	1,035,821	-	1,035,821
Other	28,398	-	28,398	56,997	-	56,997
Reclassifications:						
Net assets released from restrictions	1,623	(1,623)	-	17,930	(17,930)	-
Total support, revenue and reclassifications	5,679,314	(1,623)	5,677,691	5,696,755	(17,930)	5,678,825
PROGRAM EXPENSES						
Programming	955,518	-	955,518	983,508	-	983,508
Production	785,738	-	785,738	836,835	-	836,835
Community engagement	101,521	-	101,521	95,832	-	95,832
Engineering	1,269,827	-	1,269,827	1,248,760	-	1,248,760
Communications	388,410	-	388,410	525,797	-	525,797
Total program expenses	3,501,014	-	3,501,014	3,690,732	-	3,690,732
EARNINGS (LOSS) BEFORE SUPPORTING EXPENSES AND DEPRECIATION AND AMORTIZATION	2,178,300	(1,623)	2,176,677	2,006,023	(17,930)	1,988,093
SUPPORTING EXPENSES						
Administration	622,539	-	622,539	888,080	-	888,080
Member services	326,717	-	326,717	304,662	-	304,662
Financial development	1,165,407	-	1,165,407	1,309,696	-	1,309,696
Total supporting expenses	2,114,663	-	2,114,663	2,502,438	-	2,502,438
EARNINGS (LOSS) FROM OPERATIONS BEFORE DEPRECIATION	63,637	(1,623)	62,014	(496,415)	(17,930)	(514,345)
DEPRECIATION AND AMORTIZATION EXPENSE	745,443	-	745,443	779,044	-	779,044
LOSS FROM OPERATIONS	(681,806)	(1,623)	(683,429)	(1,275,459)	(17,930)	(1,293,389)
OTHER INCOME						
Interest and dividend income	67,699	-	67,699	48,865	-	48,865
Gain (loss) on disposal of equipment	101,725	-	101,725	(43,537)	-	(43,537)
Net gain (loss) on investments	(5,659)	-	(5,659)	253,605	-	253,605
Nonoperating grant revenues	173,143	-	173,143	379,182	-	379,182
Total other income	336,908	-	336,908	638,115	-	638,115
CHANGE IN NET ASSETS BEFORE EFFECT OF SUPPLEMENTAL BENEFIT LIABILITY ADJUSTMENT	(344,898)	(1,623)	(346,521)	(637,344)	(17,930)	(655,274)
Supplemental benefit plan liability - related changes other than net periodic benefit cost	(38,144)	-	(38,144)	(10,315)	-	(10,315)
DECREASE IN NET ASSETS	(383,042)	(1,623)	(384,665)	(647,659)	(17,930)	(665,589)
NET ASSETS, BEGINNING OF YEAR	6,651,894	1,623	6,653,517	7,299,553	19,553	7,319,106
NET ASSETS, END OF YEAR	$ 6,268,852	$ -	$ 6,268,852	$ 6,651,894	$ 1,623	$ 6,653,517

The accompanying notes are an integral part of these statements.

VERMONT ETV, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	2015	2014
INCREASE IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (384,665)	$ (665,589)
Adjustments to reconcile decrease in net assets to cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	5,659	(253,605)
Interest and dividend income reinvested	(67,699)	(48,865)
Depreciation and amortization	745,443	779,044
(Gain) loss on disposal of equipment	(101,725)	43,537
Supplemental benefit plan liability	18,021	(14,213)
Changes in assets and liabilities:		
Receivables	260,802	(121,191)
Other current assets	(24,187)	(62,892)
Accounts payable	(136,708)	387,392
Liability under split-interest agreements	(3,627)	(8,083)
Accrued expenses	(71,316)	151,207
Deferred revenues	(4,435)	17,723
Grants received for long-term purposes	(173,143)	(379,182)
	447,085	490,872
Net cash provided by (used in) operating activities	62,420	(174,717)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(191,617)	(10,101)
Net proceeds from sale of investments	141,886	404,214
Proceeds from disposal of equipment	72,715	-
Capital acquisitions	(246,915)	(484,581)
Net cash used in investing activities	(223,931)	(90,468)
Subtotal (forward)	$ (161,511)	$ (265,185)

(CONTINUED)

VERMONT ETV, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	2015	2014
Subtotal (forwarded)	$ (161,511)	$ (265,185)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants received for long-term purposes	173,143	379,182
Net cash provided by financing activities	173,143	379,182
Net increase in cash and cash equivalents	11,632	113,997
CASH, beginning of year	267,171	153,174
CASH, end of year	$ 278,803	$ 267,171
Supplemental Disclosures of Cash Flows Information		
Cash paid during the year for:		
Interest expense	$ 697	$ 205
Income taxes	$ 9,423	$ 1,894

The accompanying notes are an integral part of these statements.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES

Nature of activities:

Vermont ETV, Inc., doing business as Vermont PBS (the Corporation), is a statewide public media organization, serving Vermont and the surrounding regions, with its headquarters in Colchester, Vermont. The Corporation distributes content online and through direct community engagement and is licensed by the Federal Communications Commission to broadcast noncommercial content. The Corporation's content includes a variety of relevant issues, such as public affairs, educational, cultural and scientific topics, as well as artistic content. As a Public Broadcasting Service (PBS) member station, the primary source of content is PBS, with the Corporation providing localized context and content. The Corporation has transmission facilities on owned and leased land throughout the state, and contracts for the use of these facilities with others for broadcast and telecommunication purposes.

Accounting policies:

The following is a summary of the more significant accounting policies applied in the preparation of the accompanying financial statements:

1. Basis of presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

2. Cash and cash equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

3. Revenue recognition

Program and production underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the period covered and for production underwriting on an estimated percentage of completion basis.

License and lease revenue

The Corporation leases and licenses building and tower space, as well as capacity on a nonbroadcast spectrum to lessees and licensees. Payments received in advance are recorded as deferred revenues. Revenues associated with these agreements are recorded as license and lease revenue during the period covered.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

3. Revenue recognition (continued)

Contributions and promises to give

Contribution revenues include "membership" revenue from individual members. The fair value of membership to the member is de minimis.

The Corporation accounts for contributions and promises to give under ASC Topic 958 *Not-For-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges receivable are stated at the amount the Corporation expects to collect. The Corporation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its contributors to make required payments. Management considers the history of collections of operating pledges to estimate the expected cash to be collected. Based on management’s assessment, the Corporation provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Corporation has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Nonoperating grants

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Corporation’s activities).

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

3. Revenue recognition (continued)

Cost reimbursement grants

The Corporation is awarded cost reimbursement grants by various federal and state agencies and private foundations. Payments received in advance of performance are recorded as deferred revenues. Revenues associated with these grants are recorded as program grant revenues as the associated expenses are incurred.

4. Contributed materials and services

Materials contributed to the Corporation for resale or for use in operations are recorded at fair value as contribution revenue in the period received. Contributed services must either create or enhance nonfinancial assets of the Corporation, and require a specialized skill that the Corporation would otherwise need to purchase in order to be recognized and recorded in the financial statements. Qualified contributed services are recorded at their fair value during the period in which the service is received. The value of contributed materials, services, and equipment meeting the criteria for recognition in the financial statements was approximately $68,000 in 2015 and $87,000 in 2014.

5. Accounts receivable

Trade accounts receivable are stated at the amount the Corporation expects to collect. The Corporation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Corporation’s customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management’s assessment, the Corporation provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Corporation has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

6. Investments and investment income

Investments are recorded at fair value in the statement of financial position with changes in fair value during the period included in increases (decreases) in net assets.

Gains and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the gains and investment income are recognized.

7. Fair value measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income, and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

7. Fair value measurements (continued)

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

The Corporation has various processes and controls in place to ensure that fair value is reasonably estimated. The Corporation performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

During the years ended June 30, 2015 and 2014, there were no changes to the Corporation's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or change in net assets.

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

Mutual funds

Valued at the daily closing price as reported by the fund. Mutual funds held by the plan are open-end and exchange-traded mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the plan are deemed to be actively traded.

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

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

8. Property and equipment

Property and equipment are recorded at cost or, if acquired by a gift, at the fair market value at the date of the gift. The Corporation provides for depreciation on a straight-line basis over their estimated useful lives.

9. Impairment of long-lived assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

10. Income taxes

The Corporation files income tax returns in the U.S. federal jurisdiction. The Corporation has a provision for unrelated business income taxes of approximately $10,000 in 2015 and $14,000 in 2014. The Corporation has also recognized a liability for potential additional income taxes payable in the amounts of approximately $192,000 and $148,000 at June 30, 2015 and 2014, respectively, which is included in accrued expenses, and has also included in the provision for unrelated business income taxes approximately $44,000 in 2015 and $44,000 in 2014, respectively, for this potential matter. With few exceptions, the Corporation is no longer subject to U.S. federal income tax examinations by tax authorities for years before the year ended June 30, 2012.

11. Net assets

In accordance with Topic 958 *Not-For-Profit Entities*, the Corporation reports information regarding its financial position and activities, depending upon the existence or absence of donor restrictions on organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) and in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as adopted by the State of Vermont.

The Board has established three endowment funds that are Board designated including the “Frank & Peggy Taplin Fund,” “Wyant Fund,” and “Board Designated Fund.” The funds in these accounts are available first to satisfy obligations of the Corporation, then for purposes designated by the Board of Directors.

The following are the descriptions of the Corporation’s board designated endowment funds which are included in unrestricted net assets.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

11. Net assets (continued)

Return objective and risk parameters

The primary investment objectives of all funds are safety, return on investment, liquidity, diversification, and cost control. Safety of principal is the foremost objective and investments are undertaken to ensure preservation of capital in the overall portfolio. The portfolio is designed to achieve a reasonable rate of return given the risk being assumed. Liquidity is maintained to meet reasonable operating requirements subject to the approval of the Board of Directors. The portfolio is diversified to avoid overconcentration in specific issue or business sectors, limits investment in high credit risk issues, and maintains varying maturity dates. The portfolio will not directly be invested in individual securities of companies whose primary source of revenue stems from the production or sale of nuclear or tobacco interests.

Strategies employed for achieving objectives

Management of the investment portfolios is accomplished through an authorized financial dealer or institution approved by the ETV Board of Directors. Investment activities are subject to the approval of the ETV Corporate Treasurer acting through the ETV Board of Directors, and are reviewed regularly by the Investment Committee of the Board. Investments are diversified by investment category within ranges approved by the Board.

The investment policies can be amended when deemed necessary by management subject to the approval of the Board of Directors.

The amended investment policy requires that equity holdings are readily marketable securities traded on the major stock exchanges. Direct international equity investments of similar quality and marketability will be permitted, but will not exceed 10% of the portfolio. Fixed income investments include debt instruments of the U.S. Government and its agencies, corporations, or foreign denominated securities and 100% of the bond portfolio must be rated BBB "investment grade" or better. Short-term funds shall be issues of high-quality that are readily marketable. Venture capital funds, letter stocks, junk bonds and real estate properties are not permissible. Investments in real estate investment trusts are permissible. The use of mutual funds is highly encouraged.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

11. Net assets (continued)

Spending policy

Withdrawals from all funds are made upon the approval of the ETV Board of Directors. Withdrawals can be made from earnings, interest, dividends, or principal for any purpose approved by the Board of Directors. Withdrawals may be up to 5% per fiscal year, not to exceed the total return of the portfolio for the prior fiscal year.

12. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services based on the degree to which the cost element was incurred for program or for other function purposes. Generally, indirect costs were allocated on a systematic basis, such as the percentage of total personnel costs for personnel related costs, and percentage of square feet occupied for occupancy costs.

13. Trade and barter income and expenses

The Corporation enters into agreements with suppliers and service providers for the exchange of services during a defined period of time. The assets and liabilities are measured at estimated fair value and are recognized as revenue and expenses upon use. Unused amounts at the end of the agreement period are credited or charged to operations.

14. Use of estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

15. Evaluation of subsequent events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 28, 2015, the date the financial statements were available to be issued.

B) PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give (all unrestricted once fulfilled), all due in less than one year, at June 30:

	2015	2014
Gross pledges receivable	$ 100,361	$ 145,777
Less allowance for uncollectible pledges	9,114	14,983
	$ 91,247	$ 130,794

C) INVESTMENTS

The Corporation maintains investments at fair value. A summary of the Corporation's investments (all Level 1) are as follows for June 30:

	2015	2014
Cash and cash equivalents	$ 119,147	$ 82,735
Mutual funds:		
Bonds		
Emerging markets	103,711	98,095
High-yield	-	93,582
Long-term	-	126,177
Short-term	223,490	-
U.S. long-term government	76,543	189,099
U.S. corporate	300,753	-
Other	136,051	124,963
Emerging markets	-	82,785
International	-	108,274
International small / mid blend	61,560	-
International large blend	312,905	385,812
Large growth	312,907	349,899
Large value	310,099	260,973
Mid growth	76,411	63,140
Mid value	74,539	65,712
Small growth	61,885	30,314
Small value	60,589	31,598
Real estate	95,529	130,646
Other	43,228	33,772
	2,250,200	2,174,841
	$ 2,369,347	$ 2,257,576

The following summarizes the investment return, all unrestricted, in the statements of activities for the years ended June 30:

	2015	2014
Interest and dividend income	$ 67,699	$ 48,865
Net realized and unrealized gain (loss) on investments	(5,659)	253,605
	$ 62,040	$ 302,470

D) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2015	2014
Building and improvements	$ 3,136,361	$ 3,100,077
Production and transmission equipment	10,137,518	10,223,195
Other equipment, furniture and fixtures	375,895	275,330
	13,649,774	13,598,602
Less accumulated depreciation and amortization	8,407,448	7,848,289
	$ 5,242,326	$ 5,750,313

E) NOTE PAYABLE - LINE OF CREDIT

The Corporation has available a $350,000 line of credit with Merchants Bank, expiring in May 2016. Interest is payable at the greater of 3.75% or the bank's prime rate (3.25% at June 30, 2015) plus 0.25%, and is secured by real estate. There were no amounts outstanding on the line of credit at June 30, 2015 and 2014.

F) LIABILITY UNDER SPLIT-INTEREST AGREEMENTS

The Corporation has entered into several gift annuity agreements with various donors. The agreements obligate the Corporation to pay a stated return on the donors' initial investments as defined in the agreements. The Corporation has recorded a liability for each agreement in an amount which approximates the net present value of the annuity to the donor based upon assumptions of the annuitant's mortality and a discount rate to calculate return on assets. The discount rates utilized to record the initial liability to annuitants range from 5.6% to 12%. The net difference between the initial contribution and the estimated present value of the obligation is recorded as a charitable contribution.

The liabilities are revalued annually for changes in assumptions. There were no new agreements entered into during 2015 and 2014. The total estimated liabilities under split-interest agreements were approximately $35,000 at June 30, 2015 and $39,000 at June 30, 2014.

G) RETIREMENT AND SUPPLEMENTAL BENEFIT PLANS

Retirement plan

The Corporation participates in a contributory retirement plan, which is an Internal Revenue Code Section 403(b) plan, covering all full-time employees, including those under a contract with International Brotherhood of Electrical Workers (AFL-CIO). The Teachers Insurance and Annuity Association (TIAA), the College Retirement Equities Fund (CREF), and Fidelity Investments administer the investment options. All contributions are held in individual employee accounts, and the employee is immediately vested in all funds. Employees eligible for the Corporation's contribution must be at least 21 years of age, employed by the Corporation for two years and contribute a minimum of 2% of gross salary. The Corporation generally contributes an additional 5% of the employee's gross salary to the plan. Total retirement expenses charged to operations relating to the plan were approximately $59,000 in 2015 and $70,000 in 2014.

Supplemental benefit plan

The Corporation sponsors an unfunded noncontributory defined supplemental benefit insurance plan that is subject to modification or elimination at the exclusive discretion of the Corporation's Board of Directors, and is not a "vested" benefit. The plan covers employees who were qualified as of June 30, 1999, at which date the plan was closed, which covers six retired employees and their spouses as of June 30, 2015 and 2014.

The plan provides a fixed quarterly stipend to participants for post-Medicare benefit coverage rather than paying post-Medicare claims. The plan also provides dental care benefits and life insurance coverage for participants.

The recording of benefits in these financial statements in accordance with ASC Topic 715, *Compensation – Retirement Benefits,* reflects the Corporation's historical practice of maintaining the plan, but is not an acknowledgement of any legal obligation on the part of the Corporation.

G) RETIREMENT AND SUPPLEMENTAL BENEFIT PLANS (continued)

Supplemental benefit plan (continued)

A summary of the supplemental benefit plan for the Corporation is as follows as of and for the years ended June 30:

	2015	2014
Accumulated benefit obligation	$ 326,700	$ 308,679
Funded status:		
Benefit obligation	$ 326,700	$ 308,679
Fair value of plan assets	-	-
Accrued benefit cost	$ 326,700	$ 308,679
Net periodic benefit costs charged to operations consists of:		
Interest cost	$ 13,767	$ 13,997
Amortization of transition obligation	10,400	10,400
Amortization of net actuarial loss	11,150	9,075
Amortization of prior year service benefit	(22,100)	(22,100)
Net periodic benefit cost	$ 13,217	$ 11,372
Significant activities during the year:		
Employer contributions to the Plan	$ 33,341	$ 35,900
Benefits paid	$ 33,341	$ 35,900
Expected contributions from employer to be made in the next fiscal year:	$ 33,900	$ 34,000
Amounts included in "supplemental benefit plan liability-related changes other than net periodic benefit cost" expected to be recognized in the following year:		
Prior service benefit	$ 22,100	$ 22,100
Transition obligation	$ (10,400)	$ (10,400)
Amortization of net actuarial loss	$ (10,750)	$ (9,442)
Amounts included in unrestricted net assets, but not yet reclassified as components of net periodic benefit cost:		
Unrecognized net actuarial loss	$ (181,369)	$ (154,927)
Unrecognized prior service benefit	198,398	220,500
Unrecognized transition obligation	(72,800)	(83,200)
	$ (55,771)	$ (17,627)

G) RETIREMENT AND SUPPLEMENTAL BENEFIT PLANS (continued)

Supplemental benefit plan (continued)

The change in amounts included in unrestricted net assets, but not yet reclassified as components of net periodic benefit costs is as follows:

Balance, July 1, 2013	$ (7,312)
Net actuarial loss due to change in discount rate	(7,690)
Recognition of periodic service benefit due to amendment	(22,100)
Reclassification from amortization of transition obligation	10,400
Reclassification from amortization of net actuarial loss recognized this year	9,075
	(10,315)
Balance, June 30, 2014	(17,627)
Net actuarial loss due to change in discount rate	(37,594)
Recognition of periodic service benefit due to amendment	(22,100)
Reclassification from amortization of transition obligation	10,400
Reclassification from amortization of net actuarial loss recognized this year	11,150
	(38,144)
Balance, June 30, 2015	$ (55,771)

Weighted-average assumptions used to determine the net periodic benefit cost included a discount rate of 4.26% at June 30, 2015 and 4.15% at June 30, 2014.

Benefits expected to be paid by the plan during the ensuing five years are approximately as follows for the years ending June 30:

2016	$	33,900
2017	$	34,000
2018	$	34,000
2019	$	34,100
2020	$	34,100
Thereafter	$	144,700

H) OPERATING LEASES AND LICENSING AGREEMENTS (AS LESSOR/LICENSOR)

The Corporation leases and licenses building and tower space on leased land (see Note J) and owned property, as well as capacity on nonbroadcast spectrum to lessees and licensees under unsecured agreements, expiring at various dates, ranging from 2016 to 2026. Some lease and license amounts are prepaid, and unearned portions are included within deferred revenue. With the exception of the spectrum lease, the majority of these agreements are cancellable by either party with one year's notice. Some agreements allow for original terms of up to fifteen years with automatic renewal for up to an additional fifteen-year period. Additionally, some agreements call for the return of prepaid amounts in the event the Corporation cancels the agreement, as specifically defined in the agreements. As of June 30, 2015, noncancellable minimum lease/license payments to be received and gross revenue to be recognized are estimated to be $60,300 in 2016, $62,100 in 2017, $64,000 in 2018, $65,900 in 2019, and $67,900 in 2020.

Following is a summary of property held for lease and license at June 30:

	2015	2014
Buildings and towers	$ 2,103,189	$ 2,123,037
Less accumulated depreciation	1,170,465	1,159,737
	$ 932,724	$ 963,300

Lease and license revenue earned was approximately $1,041,000 in 2015 and $1,036,000 in 2014.

I) OPERATING LEASE COMMITMENTS (AS LESSEE)

The Corporation leases land for mountaintop transmitters under operating leases with varying expiration dates that are cancelable by the lessor or lessee with one year of advance notification. The expiration dates and payments are as follows:

Property	Expiration Date	Fiscal Year 2016 Estimated Annual Payment
Mount Equinox	September 2015	$ 11,000
Mount Mansfield	December 2025	$ 49,800
Mount Anthony	September 2020	$ 13,600
Mount Ascutney	December 2023	$ 12,900
Burke Mountain	December 2023	$ 8,600
Killington Peak	December 2023	$ 2,400

Rental expense for all leases charged to operations approximated $123,000 in 2015 and $123,000 in 2014.

J) COMMITMENTS AND CONTINGENCIES

Self-insurance – short-term disability and dental

Vermont ETV, Inc., self-insures short-term disability and dental insurance to its employees. Under the Corporation's short-term disability policy, employees will be paid two-thirds of their normal compensation for up to a maximum of six months after the use of any unused sick leave.

University of Vermont

During 1990, the University of Vermont, the former licensee of Vermont ETV, Inc., donated certain start-up property to the Corporation in connection with its spin-off from the University. This property primarily included the various mountaintop transmitter sites located on Mount Mansfield, Mount Ascutney, Burke Mountain, Grandpa's Knob, Mount Pleasant, and the studio building in Colchester. In the event that the Corporation dissolves or ceases to exist or operate as a nonprofit, noncommercial telecommunications or broadcasting facility, the ownership of all of its assets and all proceeds from sales thereof shall immediately revert to the University of Vermont, subject to all then existing mortgages, liens, and encumbrances.

K) NET ASSETS

Board designated

The Board has established three board designated funds for certain purposes, the assets of which are to be used first to satisfy the general obligations of the Corporation and then for purposes designated by the Board. These board designated funds include two funds established for certain purposes by the donors on which the donors granted the Corporation's Board of Directors "variance power." This power grants the Board the discretion to utilize the net assets included in the funds for other purposes at its discretion. Board designated funds include the following:

- Frank & Peggy Taplin Fund: The Frank & Peggy Taplin fund was established for the purpose of supporting productions for Local Cultural and Natural Programming.
- Wyant Fund: The Wyant fund was established for the purpose of supporting cross-border programs that address issues within Vermont and Canada.
- Board Designated Fund: The Board Designated Fund was established to meet the needs of the Corporation for purposes at the discretion of the Board.

The Corporation had the following board designated endowment-related activities:

	Taplin Fund	Wyant Fund	Board Designated Fund	Total
Balance as of July 1, 2013	$ 717,517	$ 333,751	$ 1,239,495	$ 2,290,763
Contributions	1,100	-	-	1,100
Investment gain	91,941	43,555	166,615	302,111
Appropriations	(85,400)	(17,900)	(266,700)	(370,000)
Other	(5,064)	(2,415)	(9,028)	(16,507)
Balance as of June 30, 2014	720,094	356,991	1,130,382	2,207,467
Contributions	100	-	189,350	189,450
Investment gain	22,116	10,895	30,929	63,940
Appropriations	(36,500)	(18,100)	(66,900)	(121,500)
Other	(5,038)	(2,497)	(8,707)	(16,242)
Balance as of June 30, 2015	$ 700,772	$ 347,289	$ 1,275,054	$ 2,323,115

Temporarily restricted

Net assets at June 30, 2014 that are temporarily restricted consisted of pledges receivable from related parties restricted as to the timing of the availability of funds.

L) FUNDING AND PROGRAMMING SOURCES

Funding

Operating

The Corporation receives a significant portion of its operating revenue from the state of Vermont and the Corporation for Public Broadcasting (CPB). Any significant reduction in state, federal, or CPB funding would impact the Corporation's ability to provide programs. The Corporation received funding as follows for the years ended June 30:

	2015	2014
State of Vermont	$ 547,683	$ 547,683
Corporation for Public Broadcasting	1,064,855	1,064,703
	$ 1,612,538	$ 1,612,386

Nonoperating

The Corporation receives a significant portion of its nonoperating revenue from the state of Vermont.

During 2015 and 2014, the Corporation received awards from the State of Vermont for the purchase of property and equipment, which permit unexpended amounts to be carried forward to future periods. The amounts of these awards recognized as nonoperating grant revenues were $173,143 in 2015 and $379,182 in 2014. As of June 30, 2015, the Corporation has been notified that the State of Vermont has appropriated up to approximately $26,000 available for future purchases of property and equipment.

Programming

The Corporation obtains most of its programming from PBS. As of June 30, 2015 and 2014, amounts payable to PBS included in accounts payable are approximately $277,000 and $265,000, respectively.

M) RELATED-PARTY TRANSACTIONS

Public Television Association of Quebec

Public Television Association of Quebec (PTAQ) is, as of June 30, 2015, a Canadian corporation with tax-exempt status as a registered charity The Corporation has been advised by PTAQ that Revenue Canada (the Canadian tax authority) has ruled that PTAQ is no longer qualified as a tax exempt organization and it expects to have its tax exempt status formally revoked in the near future, which may have an impact upon future contributions to the Corporation. The primary objective of PTAQ is to advance education through the production, distribution, and promotion of noncommercial television programs and films that are of an educational nature in Canada. PTAQ utilizes the Corporation's accounting system to process its financial data.

The Corporation has a receivable from PTAQ, included in other receivables, in the amount of $40,636 as of June 30, 2015, and $27,089 as of June 30, 2014.

During the years ended June 30, 2015 and 2014, PTAQ provided funding to the Corporation in the form of individual memberships, grants, bequests, and corporate underwriting in the following amounts:

	2015	2014
Individual memberships/contributions	$ 326,300	$ 445,168
Bequests	22,500	-
Underwriting	42,237	56,359
	$ 391,037	$ 501,527

N) OTHER RECEIVABLE

During 2014, the Corporation submitted a claim with its insurance company for the reimbursement of certain legal costs, which the insurance company authorized subsequent to June 30, 2014. The Corporation recognized a receivable for the amount of the claim at June 30, 2014 and reduced legal costs by $189,353.

SUPPLEMENTAL INFORMATION

VERMONT ETV, INC.

SCHEDULE OF FUNCTIONAL EXPENSES - UNRESTRICTED

YEAR ENDED JUNE 30, 2015

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	YEAR ENDED JUNE 30, 2015											SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2014
	Program Services						Support Services					
	Programming	**Production**	**Community Engagement**	**Engineering**	**Communications**	**Total Program Services**	**Administration**	**Member Services**	**Financial Development**	**Total Support Services**	**Total Program and Support Services**	
Salaries	$ 51,773	$ 444,237	$ 61,157	$ 500,281	$ 221,043	1,278,491	$ 279,015	$ 97,612	$ 349,158	$ 725,785	$ 2,004,276	$ 2,332,996
Employee benefits	11,624	117,635	11,445	122,873	33,620	297,197	53,689	35,969	81,618	171,276	468,473	430,606
Payroll taxes	4,064	34,869	4,800	39,268	17,350	100,351	21,900	7,662	27,447	57,009	157,360	165,155
Total salaries and related expenses	67,461	596,741	77,402	662,422	272,013	1,676,039	354,604	141,243	458,223	954,070	2,630,109	2,928,757
Professional services	1,944	59,430	-	19,642	26,633	107,649	101,373	32,655	350,088	484,116	591,765	684,573
Supplies	271	5,422	1,163	11,719	1,564	20,139	3,545	2,181	2,887	8,613	28,752	34,398
Travel	2,369	24,378	3,002	18,699	3,115	51,563	13,431	6	15,349	28,786	80,349	103,166
Utilities	1,987	20,823	1,987	264,325	9,917	299,039	7,930	5,952	13,873	27,755	326,794	330,812
Communications	4,207	12,173	14,147	59,792	11,414	101,733	18,301	129,560	123,788	271,649	373,382	390,099
Maintenance	2,126	19,695	797	185,141	1,860	209,619	1,581	1,063	1,073	3,717	213,336	234,302
Subscriptions/dues	56,279	6,920	13	5,926	46,829	115,967	41,268	1,607	159,538	202,413	318,380	356,232
Acquisitions	789,392	3,810	-	-	-	793,202	-	-	-	-	793,202	828,287
Insurance	17,755	16,743	1,137	24,746	9,071	69,452	11,878	7,502	24,218	43,598	113,050	107,954
Bank charges	8,038	15,680	1,502	10,868	4,105	40,193	12,787	3,387	11,211	27,385	67,578	63,312
Equipment	-	-	-	-	-	-	540	-	-	540	540	540
Miscellaneous	3,689	3,923	371	6,547	1,889	16,419	1,679	1,561	5,159	8,399	24,818	72,425
Provision for unrelated business income tax	-	-	-	-	-	-	53,622	-	-	53,622	53,622	58,313
Total expenses before depreciation	955,518	785,738	101,521	1,269,827	388,410	3,501,014	622,539	326,717	1,165,407	2,114,663	5,615,677	6,193,170
Depreciation and amortization	360	95,984	-	621,039	197	717,580	2,604	2,234	23,025	27,863	745,443	779,044
Total expenses	$ 955,878	$ 881,722	$ 101,521	$ 1,890,866	$ 388,607	$ 4,218,594	$ 625,143	$ 328,951	$ 1,188,432	$ 2,142,526	$ 6,361,120	$ 6,972,214