
**ST. LOUIS REGIONAL
PUBLIC MEDIA, INC.**
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009



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RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

The Board of Trustees
St. Louis Regional Public Media, Inc.
St. Louis, Missouri

We have audited the accompanying consolidated statement of financial position of St. Louis Regional Public Media, Inc. (formerly St. Louis Regional Educational and Public Television Commission), a not-for-profit organization, and subsidiary (collectively, the Station) as of June 30, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Station's 2008 consolidated financial statements, and in our report dated November 12, 2008, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Louis Regional Public Media, Inc. and subsidiary as of June 30, 2009, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Station's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

RubinBrown LLP

October 27, 2009

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**June 30, 2009****(With Summarized Financial Information As Of June 30, 2008)**

	Assets	
	2009	2008
Current Assets		
Cash and cash equivalents (Note 3)	\$ 1,421,451	\$ 1,018,156
Accounts receivable (net of allowance of \$4,684)	418,751	434,485
Promise to give - short-term (net of allowance of \$65,789 - Note 4)	639,787	1,389,524
Missouri tax credits receivable (net of discount of \$56,825 - Note 13)	511,423	170,000
Prepaid expenses	97,968	92,507
Total Current Assets	3,089,380	3,104,672
Promises To Give - Long-Term (Net Of Discount Of \$1,210 - Note 4)	20,790	46,184
Investments - Designated For Annuity Payments (Note 5)	45,886	40,672
Cash And Cash Equivalents - Board-Designated Endowment (Note 3)	161,431	54,902
Investments - Board-Designated Endowment (Note 5)	1,029,757	1,538,120
Property And Equipment (Notes 6, 7 And 10)	7,558,750	7,897,584
Assets Restricted For Endowment (Notes 3, 5 And 9)	311,267	311,267
Total Assets	\$ 12,217,261	\$ 12,993,401
	Liabilities And Net Assets	
Current Liabilities		
Current maturities of long-term debt (Note 7)	\$ 117,573	\$ 109,277
Accounts payable and accrued expenses (Note 13)	870,940	855,138
Refundable advances	61,893	66,486
Total Current Liabilities	1,050,406	1,030,901
Annuities Payable (Note 8)	45,886	40,672
Long-Term Debt (Note 7)	1,436,918	1,554,482
Total Liabilities	2,533,210	2,626,055
Net Assets		
Unrestricted:		
Net investment in property and equipment	5,999,645	6,229,211
Board-designated endowment (Note 15)	1,191,188	1,593,022
Unrestricted operating surplus	1,065,656	1,139,130
Total Unrestricted Net Assets	8,256,489	8,961,363
Temporarily restricted (Note 9)	1,116,295	1,094,716
Permanently restricted (Notes 9 and 15)	311,267	311,267
Total Net Assets	9,684,051	10,367,346
Total Liabilities And Net Assets	\$ 12,217,261	\$ 12,993,401

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2009

(With Summarized Financial Information For The Year Ended June 30, 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues And Support					
Individual contributions	\$ 3,509,030	\$ 12,468	\$ —	\$ 3,521,498	\$ 4,132,361
Government support (Note 11)	1,144,142	—	—	1,144,142	1,256,538
Corporate and foundation support	—	1,319,769	—	1,319,769	1,817,953
National production grants and other revenues (Note 11)	78,202	858,392	—	936,594	1,919,613
Production and other revenues (Notes 5, 8 and 13)	3,468,161	—	—	3,468,161	3,089,767
Net assets released from restrictions (Note 9)	2,169,050	(2,169,050)	—	—	—
Total Revenues And Support	10,368,585	21,579	—	10,390,164	12,216,232
Expenses					
Program Services:					
Broadcasting	3,014,250	—	—	3,014,250	3,176,988
Production	3,067,282	—	—	3,067,282	3,604,040
Education and outreach	774,226	—	—	774,226	350,697
Public information	1,042,723	—	—	1,042,723	975,421
Total Program Services	7,898,481	—	—	7,898,481	8,107,146
Supporting Activities:					
Development	2,278,888	—	—	2,278,888	2,395,417
Administration	896,090	—	—	896,090	1,008,016
Total Expenses	11,073,459	—	—	11,073,459	11,510,579
Increase (Decrease) In Net Assets	(704,874)	21,579	—	(683,295)	705,653
Net Assets - Beginning Of Year	8,961,363	1,094,716	311,267	10,367,346	9,661,693
Net Assets - End Of Year	\$ 8,256,489	\$ 1,116,295	\$ 311,267	\$ 9,684,051	\$ 10,367,346

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS**For The Year Ended June 30, 2009****(With Summarized Financial Information For The Year Ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (683,295)	\$ 705,653
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	553,748	690,701
Unrealized gain on investments	(19,617)	(58,446)
Loss on sale of investments	1,288	8,417
Change in value of annuity	4,435	(9,002)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	15,734	(91,706)
(Increase) decrease in promises to give	775,131	(747,605)
Increase in Missouri tax credit receivable	(341,423)	(170,000)
(Increase) decrease in prepaid expenses	(5,461)	9,350
Increase in accounts payable and accrued expenses	15,802	135,510
Increase (decrease) in refundable advances	(4,593)	3,177
Increase in annuities payable	5,214	9,002
Net Cash Provided By Operating Activities	316,963	485,051
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	927,757	807,782
Purchases of investments	(382,121)	(809,152)
Purchases of property and equipment	(214,914)	(123,290)
Net Cash Provided By (Used In) Investing Activities	330,722	(124,660)
Cash Flows Used In Financing Activities		
Payments on long-term debt	(109,268)	(101,231)
Net Increase In Cash And Cash Equivalents	538,417	259,160
Cash And Cash Equivalents - Beginning Of Year	1,105,303	846,143
Cash And Cash Equivalents - End Of Year (Note 3)	\$ 1,643,720	\$ 1,105,303
Supplemental Cash Flow Information		
Interest paid	\$ 123,693	\$ 137,559

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

1. Summary Of Significant Accounting Policies

Estimates And Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Principles Of Consolidation

The consolidated financial statements include the accounts of the St. Louis Regional Public Media, Inc. and its wholly owned subsidiary, Video Nine/Media Nine, Inc. (collectively, the Station). Significant interorganization accounts and transactions have been eliminated in consolidation.

Basis Of Presentation

The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Station is required to report 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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Station's consolidated financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Cash And Cash Equivalents

The Station considers all money market and short-term investments with original maturities of less than three months from date of purchase to be cash equivalents. The Station invests its cash with financial institutions with strong credit ratings. At times, such balances may be in excess of Federal Deposit Insurance Corporation insurance limits.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Promises To Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional contributions are recognized as support when the conditions on which they depend have been substantially met. Conditional contributions for which the condition has not been met but for which cash has been received prior to year end are reported as refundable advances in the accompanying consolidated statement of financial position.

An allowance for uncollectible promises to give is provided based upon the Station's estimate of amounts which will ultimately not be collected. The estimate is based on historical collection experience coupled with a review of the current status of existing promises to give. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Those balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the promise to give.

Investments And Assets Restricted For Endowment

All investments, including investments - board-designated endowment, annuity investments and investments restricted for endowment, are reported at fair value based on quoted market prices of major securities exchanges. Gains or losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization, computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years.

The Station reports gifts of land, buildings, and equipment 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 Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Restricted And Unrestricted Revenues And Support

The Station records gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor-stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. The Station has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

Donated Services

Various services, primarily promotion and advertising, have been donated to the Station. Those donated services that meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, are recorded at fair value at the date of donation.

Production And Other Revenues

Production and other revenues for the Station consist primarily of production revenue, investment income, magazine revenue, royalties, fees from broadcast of post-secondary telecourses and other educational revenue, tower rental, and net revenue from program distribution and DVD sales.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying consolidated financial statements:

Broadcasting - Includes those expenditures relating to program acquisition and scheduling as well as operations engineering in support of content/program distribution and delivery of on-air programming.

Production - Includes costs of production (writing, producing, editing, talent, post-production, etc.) to create and produce local programs for broadcast on-air.

Education And Outreach - Includes expenditures in support of grants the Station receives for workshops and other services it provides to children, parents and caregivers in the areas of early childhood reading and literacy. The Station also receives grants to facilitate continuing professional education for teachers and certain community engagement initiatives. The Station's education and outreach personnel serve as the primary facilitators and resource providers.

Public Information - Includes those expenditures relating to advertising, promotion and creative services in support of promotion of the Station's programs and services. Promotional media include on-air, local radio and print media, and publication and distribution of the KETC Guide magazine.

Development - Includes fundraising costs associated with development and acquisition of members and other donors. These costs include membership and associated customer service costs, on-air fundraising programs, individual major gifts, foundations and grants, planned giving and corporate underwriting sponsorships.

Administration - Includes the functions necessary to support the above programs; ensure an adequate working environment; provide coordination and articulation of the Station's program strategy; secure proper administrative functioning of the Station's Board of Trustees; and manage the financial and budgetary responsibilities of the Station.

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (*Continued*)

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Station.

Income Taxes

The Station is an organization described in Internal Revenue Code Section 501(c)(3) and has received an Internal Revenue Service (IRS) determination letter stating that it is exempt from federal tax on income from its related, exempt activities.

In accordance with Financial Accounting Standards Board Staff Position FIN 48-3, the Station has elected to defer implementation of Financial Accounting Standards Board Interpretation (FIN) 48, *Accounting for Uncertainty in Income Taxes*, until July 1, 2009. FIN 48 clarifies the accounting for uncertainty in tax positions. FIN 48 requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. Additionally, FIN 48 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, transition, and disclosure requirements for uncertain tax positions. The Station's current accounting policy is to evaluate uncertain tax positions, including those related to unrelated business income, using the framework set forth in SFAS No. 5, *Accounting for Contingencies*.

At June 30, 2009, Video Nine/Media Nine, Inc. has net operating loss carryforwards for regular tax purposes of approximately \$1,010,000, which expire at various dates through June 30, 2029.

Concentrations Of Labor

Certain employees of the Station are subject to a collective bargaining agreement, which expires August 15, 2010. These employees represent approximately 18% of the Station's full-time workforce.

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (*Continued*)

Adoption Of New Accounting Standards

Effective July 1, 2008, the Station adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 requires specific disclosures regarding assets and liabilities measured at fair value, including the primary sources and potentially the inputs used to determine fair value, depending on the type and reliability of those inputs. Currently, the disclosures prescribed by SFAS No. 157 apply only to financial assets and liabilities. Applicability to nonfinancial assets and liabilities is effective for the Station on July 1, 2009 (Note 14).

Effective July 1, 2008, the Station adopted Financial Accounting Standards Board (FASB) Staff Position No. 117-1, *Endowments of Not-for Profit Organizations: Net Asset Classification Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*. FASB Staff Position No. 117-1 expands disclosures related to endowment funds (Note 15).

Subsequent Events

Management has evaluated subsequent events through October 27, 2009, the date which the consolidated financial statements were available for issue.

2. Operations

The Station is a not-for-profit organization which began providing public and educational broadcast services to the greater St. Louis area in 1959. The mission statement of the Station is *Bringing St. Louis Together as we connect our region to the world and the world to St. Louis*. The Station strives to provide the greater St. Louis region with educationally and culturally stimulating programs enhanced by community outreach and related services. Video Nine/Media Nine, Inc. is a wholly owned for-profit subsidiary selling production and similar services on a commercial basis for the benefit of the Station.

The Station's primary sources of revenue include contributions; government, corporate and foundation support; and production revenue.

Effective July 14, 2008, the Station's name changed from St. Louis Regional Educational and Public Television Commission to St. Louis Regional Public Media, Inc.

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (*Continued*)

3. Cash And Cash Equivalents

At June 30, 2009, cash and cash equivalents consist of the following:

Checking accounts	\$ 1,421,451
Treasury obligations	<u>222,269</u>
	<u>\$ 1,643,720</u>

These amounts are presented in the consolidated statement of financial position as follows:

Cash and cash equivalents	\$ 1,421,451
Cash and cash equivalents - Board-designated endowment	161,431
Assets restricted for permanent endowment (Note 9)	<u>60,838</u>
	<u>\$ 1,643,720</u>

4. Promises To Give

Promises to give consist of program underwriting and donor pledges, as well as pledges to support production of programs related to math, engineering, technology and science (such as *First Robotics* documentary), national issues such as America's mortgage crisis, and programs that promote early learning opportunities for children and continuing professional education for teachers. The pledges are collectible as follows:

Pledges due in less than one year	\$ 705,576
Pledges due in 1-5 years	<u>22,000</u>
	727,576
Less: Allowance for doubtful accounts	65,789
Less: Discount on long-term promises to give	<u>1,210</u>
	<u>\$ 660,577</u>

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (*Continued*)

The promises to give are reported in the consolidated statement of financial position as follows:

Promise to give - short-term	\$ 639,787
Promise to give - long-term	<u>20,790</u>
	<u><u>\$ 660,577</u></u>

At June 30, 2009, the Station has a conditional promise to give in the amount of \$153,500 for the Nine Network for Public Media program. This conditional promise to give is contingent upon raising an equal amount of new funds in 2010.

5. Investments

Investments consist of U.S. Treasury Notes with a cost of \$1,284,391 and a fair value of \$1,326,072. These investments are reported in the consolidated statement of financial position as follows:

Investments - board-designated endowment	\$ 1,029,757
Investments - designated for annuity payments	45,886
Investments restricted for endowment (Note 9)	<u>250,429</u>
	<u><u>\$ 1,326,072</u></u>

Investment income, consisting of interest and dividends totaling \$69,428, realized losses of \$1,288 and an unrealized gain of \$19,617 for the year ended June 30, 2009, is included in production and other revenues.

6. Property And Equipment

Property and equipment consist of:

Land	\$ 184,916
Building and improvements	9,728,591
Studio, transmission and all other equipment	<u>9,902,415</u>
	19,815,922
Less: Accumulated depreciation and amortization	<u>12,257,172</u>
	<u><u>\$ 7,558,750</u></u>

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (Continued)

Depreciation and amortization expense amounted to \$553,748 for the year ended June 30, 2009.

7. Long-Term Debt

The debt, which is secured by the building and related equipment, originally had a principal balance of \$4.6 million with monthly payments of principal and interest and an interest rate of 6.09%. In December 2003, the Station refinanced its previous 20-year term loan (the Note) in order to obtain a more favorable rate of interest, resulting in monthly principal and interest payments of \$25,718, including interest at 5.25%. The Station also made a one-time payment of \$750,000 to reduce the principal balance of the Note during the refinancing. In July 2005, the Station again refinanced the Note resulting in monthly principal and interest payments of \$16,988, including interest at 5.25%, with a final balloon payment due at maturity in December 2018. The interest rate was adjusted in January 2007 to the current rate of 7.24% resulting in monthly principal and interest payments of \$18,983. Under the terms of the Note, the interest rate will be adjusted every three years based on the three-year Treasury rate plus 250 basis points. The next interest rate adjustment will occur in January 2010. The Note does not have a prepayment penalty. As of June 30, 2009, the Note has an outstanding balance of \$1,554,491.

Based on the current interest rate (7.24%), the future minimum principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 117,573
2011	126,793
2012	136,155
2013	146,466
2014	157,566
<u>Thereafter</u>	<u>869,938</u>
	<u>\$ 1,554,491</u>

For the year ended June 30, 2009, interest expense amounted to \$123,693.

During 2009, the Station renewed a line-of-credit agreement providing for borrowings up to \$750,000, secured by the building, bearing interest at the Bank's prime rate, and maturing in January 2010. No borrowings were made under this agreement during the year ended June 30, 2009.

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (*Continued*)

8. Split-Interest Agreements

The Station is the beneficiary of certain charitable gift annuities. Under the terms of each charitable gift annuity, the Station receives assets in exchange for a promise to pay a fixed amount for a specified period of time. The difference between the fair value of the assets received and the present value of the liability held for others is recorded as contribution revenue on the date of the gift. These agreements contain discount rates varying from 6.5% to 10.2%. Any adjustment of the liability to reflect amortization of the discount and revaluations of the future cash flows based upon changes in actuarial assumptions is recognized as a change in value of split-interest agreements, which is included in production and other revenues in the accompanying consolidated statement of activities. The total change in value of split-interest agreements was \$5,214 for the year ended June 30, 2009.

9. Net Assets

Temporarily restricted net assets are donor restricted as follows:

Nine Network for Public Media	\$ 785,782
Program - science, technology, engineering, math	62,500
Program and community outreach - <i>National Mortgage Crisis</i>	161,013
Analog to digital TV conversion	107,000
	<hr/>
	\$ 1,116,295
	<hr/> <hr/>

Net assets were released from donor-imposed restrictions as follows:

Documentary program - <i>First Robotics</i>	\$ 207,155
Program and production underwriting	771,750
Early learning and other educational initiatives	131,741
Community engagement initiatives	862,717
Nine Network for Public Media	110,718
Digital equipment and other initiatives	84,969
	<hr/>
	\$ 2,169,050
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ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements *(Continued)*

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support program production. Permanently restricted net assets consist of:

Cash and cash equivalents (Note 3)	\$ 60,838
Investments (Note 5)	<u>250,429</u>
	<u>\$ 311,267</u>

10. Assets Subject To Lien

Assets subject to lien consist of studio, transmission and digital equipment acquired under National Telecommunications and Information Administration grants. The terms of the priority liens extend for a period of ten years following September 30, 2002, during which time the federal government retains a priority reversionary interest in the equipment to the extent of its one-half share under the matching grant.

The related equipment costs and accumulated depreciation at June 30, 2009 are as follows:

Digital equipment	\$ 1,046,768
Less: Accumulated depreciation	<u>805,944</u>
	<u>\$ 240,824</u>

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (*Continued*)

11. Government Support

The Station receives funding on an annual basis from the Corporation for Public Broadcasting (CPB) in the form of a Community Service Grant (CSG) and an Interconnection Grant. The CPB is a private, nonprofit corporation that was created by Congress in 1967. CPB is the largest single source of funding for public television and radio programming. The Corporation is not a government agency. It promotes public telecommunications services (television, radio, and online) for the American people. In that CPB is considered to be a quasi-government entity, the annual funding the Station receives from CPB in the form of the CSG and Interconnection grants are reported as government support in the consolidated financial statements. During fiscal year 2009, the Station received approximately \$903,000 from the CPB (for CSG and Interconnection), which represents approximately 9% of the Station's unrestricted revenues and support for fiscal year 2009. Due to the federal government practice of forward funding for CPB, the Station anticipates funding from CPB for CSG and Interconnection approximating \$1,010,000 for fiscal year 2010. The level of funding beyond 2009/2010 is uncertain.

Periodically, the CPB funds other initiatives in the form of station grants. The Station received other such grants approximating \$858,000 during 2009 as follows:

Program and community engagement - National Mortgage	\$ 495,000
Program and community engagement - Science, Technology, Engineering and Math (STEM)	353,000
Other grants (public awareness - analog to digital TV)	<u>10,000</u>
	<u>\$ 858,000</u>

Total funding from CPB was approximately \$1,751,000 in 2009.

In addition to funding (from CPB), the Station receives funding from the State of Missouri on an annual basis. The funding is provided by statute from the Cultural Trust Fund that is administered by the Missouri Department of Economic Development and in turn, its agent - Missouri Arts Council. During the fiscal year 2009, the Station received approximately \$241,000, which is recorded as government support. The Station anticipates funding from the State of Missouri of approximately \$398,000 for fiscal year 2010.

12. Public Broadcasting System Expense

The Station is one of many Public Broadcasting System (PBS) affiliated stations and, as such, has annual payment obligations to PBS approximating \$1,239,000, which represents approximately 11% of the Station's operating expenses for fiscal year 2009. Approximately \$985,000 (80%) of the PBS obligation is for the PBS National Program Service (core PBS broadcast programming), \$166,000 (13%) is for PBS Member Services Assessment dues, and \$88,000 (7%) is for PBS Station Independence Programs (on-air pledge programs) and other programs.

13. Tax Credits Receivable And Revenue

During 2009, Video Nine/Media Nine, Inc. (Video Nine), wholly owned subsidiary of The Station, performed certain services in connection with its production of *Missouri Life* for which Video Nine was awarded Missouri Department of Economic Development Film Production Company Tax Credits in the amount of \$786,800. Based on percentage of completion revenue recognition, revenue of \$527,156 (67%), net of discount of \$52,715 (10%) was recorded. As of June 30, 2009, \$474,441 of the tax credit is receivable and included in Missouri tax credits receivable (net of discount) on the consolidated statement of financial position. The credits also require a 2.5% issuance fee. Based on the percentage of completion as of June 30, 2009, approximately \$13,000 (67%) was included in expense in 2009 and accrued expenses at year end. The production activities continued into the next fiscal year and accordingly, the remaining revenue of \$259,600 (33%), net of discount of \$25,960 (10%) will be recorded in 2010. Video Nine has remaining financial obligations to pay approximately \$42,000 in 2010 to independent contractors (production assistants) for completion of the production.

Also during 2009, the Station received Missouri Department of Economic Development Film Production Company Tax Credits of \$36,982 (net of 10% discount) for its production of *First Night – 2009*, which are recorded as revenue. As of June 30, 2009, \$36,982 of the tax credit is receivable and included in Missouri tax credits receivable (net of discount) on the consolidated statement of financial position. There are no outstanding financial obligations on this tax credit.

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (*Continued*)

14. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2009 using quoted market prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
U.S. Treasury Notes	\$ 1,326,072	\$ —	\$ —	\$ 1,326,072
Liabilities				
Annuities payable	—	45,886	—	45,886
	<u>\$ 1,326,072</u>	<u>\$ 45,886</u>	<u>\$ —</u>	<u>\$ 1,371,958</u>

During 2009, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Station's assets.

15. Endowment Funds

The Station classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Earnings on the endowment are classified as unrestricted. All earnings on the Station's permanently restricted and unrestricted endowment are available to use for operations of the Station.

The primary investment objective of the endowment funds' assets is preservation of capital. The current, long-standing, investment policy guidelines permit investments in U.S. Treasury Bills, U.S. Treasury Notes and short-term obligations of U.S. government agencies if guaranteed by the U.S. Government. Not more than 25% of the funds' assets will be invested in the securities of one issuer (unless otherwise approved by the Finance Committee), except for obligations of the U.S. Government which may be purchased without limitation.

From its board-designated endowment fund and permanently restricted endowments, annual earnings, which are considered to be interest and dividends are earmarked to support the general operations of the Station. Per the policy, funds are distributed or reinvested as needed.

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

Notes To Consolidated Financial Statements (Continued)

As of June 30, 2009, the Station had the following endowment funds:

Donor-restricted endowment funds	\$ 311,267
Board-designated endowment funds	<u>1,191,188</u>
	<u>\$ 1,502,455</u>

Changes in the endowment funds for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - beginning of the year	\$ 1,593,022	\$ 311,267	\$ 1,904,289
Investment return:			
Investment income	67,345	—	67,345
Net realized and unrealized gains	17,779	—	17,779
Total investment return	<u>85,124</u>	<u>—</u>	<u>85,124</u>
Appropriations	<u>(486,958)</u>	<u>—</u>	<u>(486,958)</u>
Net assets - end of the year	<u>\$ 1,191,188</u>	<u>\$ 311,267</u>	<u>\$ 1,502,455</u>

16. Subsequent Event

The State of Missouri has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective August 28, 2009. UPMIFA supersedes the Uniform Management of Institutional Funds Act, and revises state law relative to the investment, expenditure, delegation, and release and modification of restrictions of donor-restricted endowment funds.

During October 2009, the Station sold the Missouri Department of Economic Development Film Production Company Tax Credits (Note 13) to a non-affiliated entity for \$745,102.

Independent Auditors' Report On Supplementary Information

Our audit was made for the purpose of forming an opinion on the 2009 basic consolidated financial statements taken as a whole. The accompanying 2009 supplementary financial information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, accordingly, we express no opinion on it. The prior year summarized comparative information was not subjected to the auditing procedures applied in the audit of the prior year consolidated financial statements and is presented for comparative purposes only.

RubinBrown LLP

October 27, 2009

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2009

(With Summarized Financial Information As Of June 30, 2008)

	Assets				2008	
	2009					
	St. Louis Regional Public Media, Inc.	Video Nine/ Media Nine, Inc.	Eliminations	Total	Total	Total
Assets						
Cash and cash equivalents	\$ 1,362,747	\$ 58,704	\$ —	\$ 1,421,451	\$ 1,018,156	\$ 1,018,156
Accounts receivable	1,046,586	247,216	(875,051)	418,751	434,485	434,485
Promises to give - short-term	639,787	—	—	639,787	1,389,524	1,389,524
Missouri tax credits receivable	36,983	474,440	—	511,423	170,000	170,000
Prepaid expenses	97,968	—	—	97,968	92,507	92,507
Total Current Assets	3,184,071	780,360	(875,051)	3,089,380	3,104,672	3,104,672
Investment In And Advances To Subsidiary	(94,691)	—	94,691	—	—	—
Promises To Give - Long-Term	20,790	—	—	20,790	46,184	46,184
Investments - Designated For Annuity Payments	45,886	—	—	45,886	40,672	40,672
Cash And Cash Equivalents - Board-Designated Endowment	161,431	—	—	161,431	54,902	54,902
Investments - Board-Designated Endowment	1,029,757	—	—	1,029,757	1,538,120	1,538,120
Property And Equipment	7,558,750	—	—	7,558,750	7,897,584	7,897,584
Assets Restricted For Endowment	311,267	—	—	311,267	311,267	311,267
Total Assets	\$ 12,217,261	\$ 780,360	\$ (780,360)	\$ 12,217,261	\$ 12,993,401	\$ 12,993,401
Liabilities And Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$ 117,573	\$ —	\$ —	\$ 117,573	\$ 109,277	\$ 109,277
Accounts payable and accrued expenses	870,940	—	—	870,940	855,138	855,138
Refundable advances	61,893	—	—	61,893	66,486	66,486
Total Current Liabilities	1,050,406	—	—	1,050,406	1,030,901	1,030,901
Annuities Payable	45,886	—	—	45,886	40,672	40,672
Interorganization	—	1,979,194	(1,979,194)	—	—	—
Long-Term Debt	1,436,918	—	—	1,436,918	1,554,482	1,554,482
Total Liabilities	2,533,210	1,979,194	(1,979,194)	2,533,210	2,626,055	2,626,055
Net Assets						
Unrestricted:						
Net investment in property and equipment	5,999,645	—	—	5,999,645	6,229,211	6,229,211
Board-designated endowment	1,191,188	—	—	1,191,188	1,593,022	1,593,022
Unrestricted operating surplus	1,065,656	—	—	1,065,656	1,139,130	1,139,130
Total Unrestricted Net Assets	8,256,489	—	—	8,256,489	8,961,363	8,961,363
Temporarily restricted	1,116,295	—	—	1,116,295	1,094,716	1,094,716
Permanently restricted	311,267	—	—	311,267	311,267	311,267
Common stock	—	1,000	(1,000)	—	—	—
Retained earnings (deficit)	—	(1,199,834)	1,199,834	—	—	—
Total Net Assets	9,684,051	(1,198,834)	1,198,834	9,684,051	10,367,346	10,367,346
Total Liabilities And Net Assets	\$ 12,217,261	\$ 780,360	\$ (780,360)	\$ 12,217,261	\$ 12,993,401	\$ 12,993,401

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES

For The Year Ended June 30, 2009
(With Summarized Financial Information
For The Year Ended June 30, 2008)

	2009			2008	
	St. Louis Regional Public Media, Inc.	Video Nine/ Media Nine, Inc.	Eliminations	Total	Total
Revenues And Support					
Individual contributions	\$ 3,521,498	\$ —	\$ —	\$ 3,521,498	\$ 4,132,361
Government support	1,144,142	—	—	1,144,142	1,256,538
Corporate and foundation support	1,319,769	—	—	1,319,769	1,817,953
National production grants and other revenues	2,331,400	—	(1,394,806)	936,594	1,919,613
Production and other revenues	1,792,564	2,261,400	(585,803)	3,468,161	3,089,767
Total Revenues And Support	10,109,373	2,261,400	(1,980,609)	10,390,164	12,216,232
Expenses					
Program Services:					
Broadcasting	3,014,250	—	—	3,014,250	3,176,988
Production	1,785,410	3,262,481	(1,980,609)	3,067,282	3,604,040
Education and outreach	774,226	—	—	774,226	350,697
Public information	1,042,723	—	—	1,042,723	975,421
Total Program Services	6,616,609	3,262,481	(1,980,609)	7,898,481	8,107,146
Supporting Activities:					
Development	2,278,888	—	—	2,278,888	2,395,417
Administration	896,090	—	—	896,090	1,008,016
Total Expenses	9,791,587	3,262,481	(1,980,609)	11,073,459	11,510,579
Increase (Decrease) In Net Assets Before Subsidiary Income	317,786	(1,001,081)	—	(683,295)	705,653
Subsidiary Income	(1,001,081)	—	1,001,081	—	—
Increase (Decrease) In Net Assets	(683,295)	(1,001,081)	1,001,081	(683,295)	705,653
Net Assets - Beginning Of Year	10,367,346	(197,753)	197,753	10,367,346	9,661,693
Net Assets - End Of Year	\$ 9,684,051	\$ (1,198,834)	\$ 1,198,834	\$ 9,684,051	\$ 10,367,346

ST. LOUIS REGIONAL PUBLIC MEDIA, INC.
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2009

	Program Services								Supporting Activities				Total Expenses	
	Broadcasting		Production		Education And Outreach		Public Information		Development		Administration			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Salaries	\$ 726,343	\$ 710,622	\$ 1,722,000	\$ 1,683,726	\$ 290,749	\$ 207,527	\$ 458,013	\$ 446,501	\$ 775,220	\$ 708,833	\$ 474,201	\$ 528,924	\$ 4,446,526	\$ 4,286,133
Benefits	165,945	159,793	306,595	286,689	47,798	41,706	91,741	83,973	149,516	118,725	71,086	72,418	832,681	763,304
Postage and shipping	3,613	4,525	7,261	4,832	2,390	2,718	27,999	34,243	83,378	73,657	4,712	4,010	129,353	123,985
Program expense	153,999	168,432	371	711	4,432	7,102	250	—	57,772	62,690	—	—	216,824	238,935
PBS program expense and fees	1,238,811	1,276,089	—	—	—	—	—	—	—	—	—	—	1,238,811	1,276,089
Affinity group fees, other dues and fees	4,332	1,080	9,313	9,700	752	710	5,391	3,011	16,819	15,586	75,163	89,846	111,770	119,933
Professional fees: legal and accounting	34,579	40,165	15,938	397	1,212	1,265	—	—	—	—	53,761	52,015	105,490	93,842
Travel, business conferences and event catering	8,648	6,732	57,009	82,812	23,601	15,465	5,299	12,409	88,582	101,821	37,632	61,125	220,771	280,364
Supplies and premiums	25,465	19,623	111,781	103,526	10,148	6,311	39,792	40,570	530,284	789,262	8,702	8,813	726,172	968,105
Printing and direct mail	8	—	1,978	537	6,409	9,719	75,982	72,748	204,541	208,815	1,894	1,606	290,812	293,425
Advertising and promotion	17,578	—	—	—	—	280	117,422	69,381	499	1,224	—	—	135,499	70,885
Outside services	28,465	52,993	466,707	1,106,734	346,565	25,226	58,373	60,408	156,560	131,774	24,674	78,660	1,081,344	1,455,795
Telephone and data transmission	10,052	10,653	18,378	28,183	5,333	2,247	18,326	16,619	22,671	31,382	11,784	14,207	86,544	103,291
Equipment and facilities repair and maintenance	60,048	56,393	96,230	44,997	6,947	1,739	67,437	56,680	12,351	15,835	9,686	12,233	252,699	187,877
Utilities, insurance and other occupancy	180,429	183,325	80,844	79,638	9,299	9,157	25,573	25,183	25,573	25,183	24,157	22,964	345,875	345,450
Banking, brokerage and investment fees	—	—	14,854	5,079	—	—	—	—	47,413	56,935	13,442	12,380	75,709	74,394
Other expenses	3,834	—	—	512	—	—	—	—	56,584	—	38,720	—	99,138	512
Total expenses before depreciation, amortization and interest	2,662,149	2,690,425	2,909,259	3,438,073	755,635	331,172	991,598	921,726	2,227,763	2,341,722	849,614	959,201	10,396,018	10,682,319
Depreciation and amortization	314,993	445,295	115,967	119,197	13,643	14,023	37,519	38,564	37,519	38,564	34,107	35,058	553,748	690,701
Interest expense	37,108	41,268	42,056	46,770	4,948	5,502	13,606	15,131	13,606	15,131	12,369	13,757	123,693	137,559
Total Expenses	\$ 3,014,250	\$ 3,176,988	\$ 3,067,282	\$ 3,604,040	\$ 774,226	\$ 350,697	\$ 1,042,723	\$ 975,421	\$ 2,278,888	\$ 2,395,417	\$ 896,090	\$ 1,008,016	\$ 11,073,459	\$ 11,510,579