

**PUBLIC RADIO FOR THE FRONT RANGE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2006**



527 REMINGTON STREET
FORT COLLINS, CO 80524
970 482-5626
FAX 970 482-5629

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Public Radio for the Front Range

We have audited the accompanying statement of financial position of Public Radio for the Front Range (a nonprofit organization) as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of Public Radio for the Front Range as of December 31, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2005 financial statements were compiled by us, and our report thereon, dated July 10, 2006, stated we did not audit or review those financial statements and, accordingly expressed no opinion or other form of assurance on them.

B. Sue Wood and Associates, P.C.
B. Sue Wood and Associates, P.C.
May 29, 2007

PUBLIC RADIO FOR THE FRONT RANGE

Statements of Financial Position
As of December 31, 2006 and 2005

	<u>ASSETS</u>	
	<u>2006</u>	<u>2005</u>
<u>Current Assets</u>		
Cash	\$ 10,844	32,868
Pledges receivable	7,213	-0-
Unconditional promises to give	122,354	-0-
Prepaid expense	<u>8,346</u>	<u>-0-</u>
Total Current Assets	148,757	32,868
<u>Property and Equipment</u>		
Equipment	122,060	122,060
Furniture and fixtures	7,950	7,950
Leasehold improvements	6,353	2,672
Music library	<u>14,297</u>	<u>14,297</u>
Total Property and Equipment	150,660	146,979
Less accumulated depreciation	<u>81,289</u>	<u>51,568</u>
	69,371	95,411
<u>Intangible Assets</u>		
License	<u>25,000</u>	<u>25,000</u>
	25,000	25,000
<u>Total Assets</u>	<u>\$ 243,128</u>	<u>153,279</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable	\$ 351	-0-
Accrued vacation payable	<u>577</u>	<u>-0-</u>
Total Liabilities	928	-0-
<u>Net Assets</u>		
Unrestricted	113,507	153,279
Temporarily restricted	<u>128,693</u>	<u>-0-</u>
Total Net Assets	<u>242,200</u>	<u>153,279</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 243,128</u>	<u>153,279</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statements of Activities

Years Ended December 31, 2006 and 2005

<u>Unrestricted Net Assets</u>	<u>2006</u>	<u>2005</u>
Federal Income:		
Corporation for Public Broadcasting	\$ 32,500	-0-
National Telecommunications and Information Administration	-0-	67,527
Public Support (Non Federal Financial Support):		
Membership	91,323	71,280
Underwriting	31,413	28,617
Grants and contributions	55,075	121,460
Special events	15,072	30,135
In-kind underwriting	62,645	53,196
In-kind essential volunteers	333,278	185,711
Other Income:		
Interest Income	14	-0-
	<u>621,320</u>	<u>557,926</u>
Expenses:		
Program services	509,216	353,691
Supporting services		
Management and general	75,112	50,344
Fund-raising	<u>76,764</u>	<u>70,372</u>
	<u>661,092</u>	<u>474,407</u>
 (Decrease) Increase in Unrestricted Net Assets	 (39,772)	 83,519
 <u>Temporarily Restricted Net Assets</u>		
Federal:		
National Telecommunications and Information Administration	49,854	-0-
Corporation for Public Broadcasting	32,500	-0-
Public Support (Non Federal Financial Support):		
Digital funding equipment	<u>46,339</u>	<u>-0-</u>
 Increase in Temporarily Restricted Net Assets	 <u>128,693</u>	 <u>-0-</u>
 Increase in Net Assets	 88,921	 83,519
 Net Assets at Beginning of Year	 <u>153,279</u>	 <u>69,760</u>
 Net Assets at End of Year	 <u>\$ 242,200</u>	 <u>153,279</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Functional Expenses

Year Ended December 31, 2006

	<u>Program Service</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation and related expenses				
Salaries	\$ 29,813	44,643	51,976	126,432
Employee Benefits	1,786	2,674	3,113	7,573
Payroll taxes	<u>2,267</u>	<u>3,394</u>	<u>3,952</u>	<u>9,613</u>
	33,866	50,711	59,041	143,618
Accounting fees		2,913		2,913
Bank fees		195		195
Conferences, conventions and meetings	2,023			2,023
Consultants			200	200
Credit card processing fees		1,893	1,893	
Depreciation	23,337	3,192	3,192	29,721
Dues	4,278	585	585	5,448
Equipment	1,788			1,788
Equipment rental and maintenance	131		1,210	1,341
Facilities rental	40		192	232
Food	2,423		1,656	4,079
In-kind - underwriting	62,645			62,645
In-kind - programing	316,340			316,340
In-kind - technical	13,938			13,938
In-kind - professional	3,000			3,000
Interest		115		115
Insurance	3,069	420	420	3,909
Legal fees		11,811		11,811
Library	843			843
License fee	1,175			1,175
Marketing		382	67	449
Miscellaneous	2,947	403	403	3,753
Occupancy	19,002	2,599	2,599	24,200
Postage & shipping	2,440		1,222	3,662
Printing & publications	3,793		940	4,733
Staff development		1,786		1,786
Subscriptions	815			815
Supplies 5,611		3,144	8,755	
Syndicated shows	1,350			1,350
Telephone	<u>4,362</u>			<u>4,362</u>
	<u>\$ 509,216</u>	<u>75,112</u>	<u>76,764</u>	<u>661,092</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Functional Expenses

Year Ended December 31, 2005

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation and related expenses				
Salaries	\$ 23,296	34,885	40,616	98,797
Employee benefit	1,618	2,423	2,821	6,863
Payroll taxes	<u>1,450</u>	<u>2,171</u>	<u>2,527</u>	<u>6,148</u>
	26,364	39,479	45,965	111,808
Accounting fees		2,519		2,519
Bank fees		267		267
Conferences, conventions and meetings	1,807			1,807
Consultants			1,874	1,874
Credit card processing fees		990	990	
Depreciation	17,286	2,364	2,364	22,014
Dues & subscriptions				
Dues	522	71	72	665
Equipment	19,974			19,974
Equipment rental and maintenance	3,670		2,974	6,644
Facilities rental	225		379	604
Food	3,472		1,650	5,122
Furniture & fixtures	1,337			1,337
In-kind - underwriting	39,557			39,557
In-kind - programing	152,794			152,794
In-kind - technical	28,090			28,090
Insurance	3,827	523	523	4,873
Katrina donations			1,367	1,367
Library	92			92
License fee	1,151			1,151
Marketing			450	450
Miscellaneous	781	108	105	994
Occupancy	20,933	2,863	2,863	26,659
Postage & shipping	3,625		1,870	5,495
Printing & publications	1,740		1,963	3,703
Professional fees		840		840
Staff development		961		961
Subscriptions	360			360
Supplies 20,190	349	4,390	24,929	
Syndicated shows	250			250
Telephone	<u>5,644</u>		<u>573</u>	<u>6,217</u>
	<u>\$ 353,691</u>	<u>50,344</u>	<u>70,372</u>	<u>474,407</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash Flows from Operating Activities:</u>		
Increase in net asset	\$ 88,921	83,519
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	29,721	36,580
(Increase) decrease in operating assets:		
Unconditional promises to give	(122,354)	-0-
Pledges receivable	(7,213)	-0-
Prepaid expenses	(8,346)	-0-
Intangible assets	-0-	(25,000)
Forgiven debt	-0-	(40,000)
Increase (decrease) in operating liabilities:		
Accounts payable	351	-0-
Accrued vacation payable	<u>577</u>	<u>-0-</u>
Net cash (used) provided by operating activities	(18,343)	55,099
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	<u>(3,681)</u>	<u>(72,037)</u>
Net cash used by investing activities	<u>(3,681)</u>	<u>(72,037)</u>
<u>Cash Flows from Financing</u>		
Payments on line of credit	(17,500)	-0-
Line of credit proceeds	<u>17,500</u>	<u>-0-</u>
Net cash used by financing	<u>0</u>	<u>-0-</u>
Net Decrease in Cash	(22,024)	(16,938)
Cash - Beginning of year	32,868	49,806
Cash - End of year	<u>\$ 10,844</u>	<u>32,868</u>
<u>Supplemental disclosures</u>		
Interest paid	<u>\$ 115</u>	<u>-0-</u>

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements
Year Ended December 31, 2006

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Public Radio for the Front Range (KRFC) is a nonprofit organization incorporated in 1995. KRFC went on the air March 1, 2003 to make great radio that is local, non commercial, and volunteer powered.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization 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 restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Basis of Accounting

The financial statements of KRFC have been prepared on the accrual basis of accounting and according reflect all significant receivables, payables and liabilities.

Basis of Presentation

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 Organization 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.

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements
Year Ended December 31, 2006

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. All expenditures for fixed assets in excess of \$250 are capitalized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements
Year Ended December 31, 2006

Note 2 - Line of Credit

KRFC has a \$30,000 revolving line of credit agreement with Bank of the West. There were no advances on the line of credit as of December 31, 2006. This loan bears a variable interest rate and is secured by substantially all assets of the organization.

Note 3 - In-Kind and Non-Cash Contributions

Various groups, organizations, and individuals contributed time, service and items to KRFC. Those contributions that have been recorded are as follows:

Services:	
Programming	\$ 316,340
Technical	13,938
Engineering	3,000
Non-Cash Contributions:	
Underwriting	<u>\$ 62,645</u>
	<u>\$ 395,923</u>

Certain in kind donations have been received but not recognized as revenue as they do not meet the requirements of SFAS No. 116.

Note 4 - Promises to Give

The unconditional promises to give consist of the following:

National Telecommunications and Information Administration	\$ 49,854
Corporation for Public Broadcasting	32,500
Bohemian Foundation	<u>40,000</u>
	<u>\$ 122,354</u>

In 2006, the amount due includes funding from the Bohemian Foundation. The amount from Bohemian Foundation at December 31, 2006, is due within one year. Bohemian Foundation has allowed for uncollectible amounts before indicating to the recipient the allocated amounts. Accordingly, no provision is made for uncollectible amounts.

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements
Year Ended December 31, 2006

Note 5 - Intangible Assets

The Company does not amortize its FCC broadcast license as the life is not determinable. The company tests this indefinite-lived intangible asset for impairment at least annually using the direct method. Under the direct method, it is assumed that rather than acquiring indefinite-lived intangible assets as a part of a going concern business, the buyer hypothetically obtains indefinite-lived intangible assets and builds a new operation with similar attributes from scratch. Thus, the buyer incurs start-up costs during the build-up phase which are normally associated with going concern value. Initial capital costs are deducted from the discounted cash flows model which results in value that is directly attributable to the indefinite-lived intangible assets.

Note 6: Commitments

As of January 16, 2003, KRFC entered into an operating lease with Chen Enterprises to lease office space at 619 South College Avenue, Fort Collins, CO. The lease expires on January 31, 2008.

Minimum rentals, on an annual basis are as follows:

Fiscal year ended December 31

2007	\$ 17,860
2008	<u>1,495</u>
	<u>19,355</u>