

**PUBLIC RADIO FOR THE FRONT RANGE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2007 and 2006**



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Public Radio for the Front Range (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years 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, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

B. Sue Wood and Associates, P.C.

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April 28, 2008

PUBLIC RADIO FOR THE FRONT RANGE

Statements of Activities

Years Ended December 31, 2007 and 2006

<u>Unrestricted Net Assets</u>	<u>2007</u>	<u>2006</u>
Federal Income:		
Corporation for Public Broadcasting	\$ 48,086	32,500
Public Support (Non Federal Financial Support):		
Membership	65,718	91,323
Underwriting	25,854	31,413
Grants and contributions	46,784	55,075
Special events	22,094	15,072
In-kind underwriting	69,846	62,645
In-kind essential volunteers	294,757	333,278
Other Income:		
Interest Income	<u>136</u>	<u>14</u>
	573,275	621,320
Net assets released from restrictions:	<u>32,500</u>	<u>-0-</u>
	605,775	621,320
Expenses:		
Program services	571,837	590,785
Supporting services		
Management and general	49,969	39,515
Fund-raising	<u>63,440</u>	<u>30,792</u>
	<u>685,246</u>	<u>661,092</u>
 (Decrease) Increase in Unrestricted Net Assets	 (79,471)	 (39,772)
 <u>Temporarily Restricted Net Assets</u>		
Federal:		
National Telecommunications and Information Administration	(49,854)	49,854
Corporation for Public Broadcasting	46,593	32,500
Public Support (Non Federal Financial Support):		
Digital funding equipment	-0-	46,339
Net assets released from restrictions		
Expiration of time restrictions	<u>(32,500)</u>	<u>-0-</u>
 Increase in Temporarily Restricted Net Assets	 <u>(35,761)</u>	 <u>128,693</u>
 Increase (Decrease) in Net Assets	 (115,232)	 88,921
 Net Assets at Beginning of Year	 <u>242,200</u>	 <u>153,279</u>
 Net Assets at End of Year	 <u>\$ 126,968</u>	 <u>242,200</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Functional Expenses

Year Ended December 31, 2007

	<u>Program Service</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation and related expenses				
Salaries	\$ 112,108	32,031	16,015	160,154
Employee Benefits	5,822	1,664	831	8,317
Payroll taxes	<u>8,434</u>	<u>2,410</u>	<u>1,204</u>	<u>12,048</u>
	126,364	36,105	18,050	180,519
Accounting fees	7,325	1,002	1,002	9,329
Bank fees	341	47	46	434
Conferences, conventions and meetings	1,359			1,359
Consultants		200		200
Credit card processing fees	1,486	203	203	1,892
Depreciation	23,630	3,232	3,232	30,094
Dues	1,594	218	218	2,030
Equipment	60			60
Equipment rental and maintenance	1,311	179	179	1,669
Facilities rental	40		192	232
Food	2,423		1,656	4,079
Fundraising expense			33,816	33,816
In-kind - underwriting	69,846			69,846
In-kind - programming	262,934			262,934
In-kind - technical	31,623			31,623
Interest	386	53	53	492
Insurance	4,537	621	621	5,779
IT Computer Support	1,367	187	187	1,741
Legal fees	1,020	1,246		2,266
Library	226			226
Marketing	80	119	139	338
Miscellaneous	1,561	118	117	1,796
Occupancy	22,482	3,075	3,075	28,632
Postage & shipping	1,126	154	154	1,434
Professional Fees	1,000			1,000
Staff development	956	1,169		2,125
Supplies	1,308	1,542		2,850
Telephone	3,645	499	500	4,644
Travel	<u>1,807</u>			<u>1,807</u>
	<u>\$ 571,837</u>	<u>49,969</u>	<u>63,440</u>	<u>685,246</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	\$ 88,502	25,286	12,644	126,432
Employee Benefits	5,301	1,515	757	7,573
Payroll taxes	<u>6,729</u>	<u>1,923</u>	<u>961</u>	<u>9,613</u>
	100,532	28,724	14,362	143,618
Accounting fees	2,273	320	320	2,913
Bank fees	151	22	22	195
Conferences, conventions and meetings	2,023			2,023
Consultants		200		200
Credit card processing fees	1,477	208	208	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	1,045	148	148	1,341
Facilities rental	40		192	232
Food	2,423		1,656	4,079
In-kind - underwriting	62,645			62,645
In-kind - programming	316,340			316,340
In-kind - technical	13,938			13,938
In-kind - professional	3,000			3,000
Interest	89	13	13	115
Insurance	3,069	420	420	3,909
Legal fees	9,213	1,299	1,299	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	786	1,000		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>\$ 590,785</u>	<u>39,515</u>	<u>30,792</u>	<u>661,092</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Cash Flows from Operating Activities:</u>		
Increase (Decrease) in net assets	\$ (115,232)	88,921
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	30,094	29,721
(Increase) decrease in operating assets:		
Unconditional promises to give	75,761	(122,354)
Pledges receivable	3,075	(7,213)
Prepaid expenses	7,500	(8,346)
Increase (decrease) in operating liabilities:		
Accounts payable	3,009	351
Accrued payroll liabilities	2,654	-0-
Accrued vacation payable	<u>-0-</u>	<u>577</u>
Net cash (used) provided by operating activities	6,861	(18,343)
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	<u>(9,006)</u>	<u>(3,681)</u>
Net cash used by investing activities	<u>(9,006)</u>	<u>(3,681)</u>
<u>Cash Flows from Financing</u>		
Payments on line of credit	(27,342)	(17,500)
Line of credit proceeds	<u>55,342</u>	<u>17,500</u>
Net cash provided (used) by financing	<u>28,000</u>	<u>-0-</u>
Net Increase (Decrease) in Cash	25,855	(22,024)
Cash - Beginning of year	10,844	32,868
Cash - End of year	<u>\$ 36,699</u>	<u>10,844</u>
<u>Supplemental disclosures</u>		
Interest paid	<u>\$ 492</u>	<u>115</u>

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements

Year Ended December 31, 2007

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 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.

Basis of Accounting

The financial statements of KRFC have been prepared on the accrual basis of accounting and accordingly 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.

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Notes to Financial Statements

Year Ended December 31, 2007

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. Such

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Notes to Financial Statements

Year Ended December 31, 2007

reclassifications had no impact on previously reported changes in net assets.

Note 2 - Line of Credit

KRFC has a \$30,000 revolving line of credit agreement with Home State Bank. There were advances of \$28,000 on the line of credit as of December 31, 2007. 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	\$ 262,934
Technical	31,623
Non-Cash Contributions:	
Underwriting	\$ 69,846
	<u>\$ 364,403</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:

Corporation for Public Broadcasting	\$ <u>46,593</u>
	<u>\$ 46,593</u>

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.

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Notes to Financial Statements

Year Ended December 31, 2007

Note 6: Commitments

On 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 original lease expired on February 28, 2008. The lease was renewed on March 1, 2008, for a period of three years, until February 28, 2011.

Minimum rentals, on an annual basis are as follows:

Fiscal year ended December 31,

2008	\$ 22,580
2009	27,096
2010	27,096
2011	<u>4,516</u>
	<u>\$ 81,288</u>

In addition, KRFC entered into a site lease in rural Larimer County for radio transmitting equipment, with Cactus Hill Ranch, for the period of seven years from January 1, 2008 to December 31, 2015.

Minimum rentals, on an annual basis are as follows:

Fiscal year ended December 31,

2008	\$ 4,738
2009	4,548
2010	4,730
2011	4,920
2012 and thereafter	<u>21,726</u>
	<u>\$ 40,662</u>

Note 7: Pending Litigation and Contingent Liabilities

At December 31, 2007, KRFC was involved in a legal action. As of the report date, there is no clear indication if there will be an favorable or unfavorable outcome to the matter and no loss can be reasonably estimated. No adjustments were made to the financial statements for this matter.