

**ROARING FORK PUBLIC RADIO, INC.
(DBA: ASPEN PUBLIC RADIO)**

FINANCIAL STATEMENTS

December 31, 2008

**ROARING FORK PUBLIC RADIO, INC.
(DBA: ASPEN PUBLIC RADIO)**

FINANCIAL STATEMENTS

December 31, 2008

TABLE OF CONTENTS

ITEM	PAGE
Independent Auditor's Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7



REESE HENRY & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

REESE HENRY (of counsel)
ROBERT C. CAMP, CPA (of counsel)

CHRISTOPHER L. TOLK, CPA
MARK S. KAVASCH, CPA
PETER VAN DOMELLEN, CPA
DENISE A. JURGENS, CPA
PETER J. PENDERGAST, CPA
KELLY G. BOGGS, CPA

The Board of Directors
Roaring Fork Public Radio, Inc.
Aspen, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Roaring Fork Public Radio, Inc. (DBA: Aspen Public Radio), as of December 31, 2008 and the related statements of activities 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 Roaring Fork Public Radio, Inc. (DBA: Aspen Public Radio) as of December 31, 2008 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.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
May 19, 2009

**ROARING FORK PUBLIC RADIO, INC.
(DBA: ASPEN PUBLIC RADIO)**

STATEMENT OF FINANCIAL POSITION

December 31, 2008

ASSETS

Cash and Cash Equivalents	\$ 161,509
Accounts Receivable	30,567
Employee Receivable	2,830
Investments	208,335
Property & Equipment, net	67,124
Prepaid Expenses	14,421
Security Deposits	17,471
TOTAL ASSETS	<u><u>\$ 502,257</u></u>

LIABILITIES & NET ASSETS

LIABILITIES

Accounts Payable	\$ 29,470
Deferred Revenue	8,659
Note Payable	91,886
TOTAL LIABILITIES	<u><u>130,015</u></u>

NET ASSETS

Unrestricted, Undesignated	123,424
Unrestricted, Board Designated	52,695
Total Unrestricted	176,119
Temporarily Restricted	1,123
Permanently Restricted	195,000
TOTAL NET ASSETS	<u><u>372,242</u></u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 502,257</u></u>

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

**ROARING FORK PUBLIC RADIO, INC.
(DBA: ASPEN PUBLIC RADIO)**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 360,610	\$ 1,450	\$ -	\$ 362,060
Grants	294,103	6,500		300,603
Underwriting Income	236,367	-	-	236,367
Other Income	20,231	-	-	20,231
Investment Income	(18,886)	-	-	(18,886)
Release from Restrictions	6,827	(6,827)	-	-
TOTAL SUPPORT AND REVENUES	899,252	1,123	-	900,375
 EXPENSES				
Program Services	688,015	-	-	688,015
General & Administrative	174,024	-	-	174,024
Fundraising	58,870	-	-	58,870
TOTAL EXPENSES	920,909	-	-	920,909
 CHANGE IN NET ASSETS	(21,657)	1,123	-	(20,534)
 NET ASSETS, January 1	197,776	-	195,000	392,776
 NET ASSETS, December 31	\$ 176,119	\$ 1,123	\$ 195,000	\$ 372,242

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

**ROARING FORK PUBLIC RADIO, INC.
(DBA: ASPEN PUBLIC RADIO)**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (20,534)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	24,333
Loss on Disposed Assets	8,604
Unrealized (Gain) / Loss on Investments	25,051
Realized (Gain) / Loss on Investments	2,874
(Increase) Decrease in Accounts Receivable	(8,257)
(Increase) Decrease in Employee Receivable	(774)
(Increase) Decrease in Prepaid Expenses	(14,422)
(Increase) Decrease in Security Deposits	(15,058)
Increase (Decrease) in Accounts Payable	10,129
Increase (Decrease) in Deferred Revenue	(8,447)
Increase (Decrease) in Interest Payable	(14)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,485</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(97,613)
Proceeds from the Sale of Investments	69,491
Purchase of Property & Equipment	(11,625)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(39,747)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Long-Term Debt	30,000
Repayment of Long-Term Debt	(9,508)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>20,492</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS **(15,770)**

CASH AND CASH EQUIVALENTS, January 1 **177,279**

CASH AND CASH EQUIVALENTS, December 31 **\$ 161,509**

SUPPLEMENTAL DISCLOSURE

Interest Paid	\$ 287
---------------	--------

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

**ROARING FORK PUBLIC RADIO, INC.
(DBA: ASPEN PUBLIC RADIO)**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Roaring Fork Public Radio, Inc. (the Station) was incorporated October 9, 1980 as a Colorado nonprofit corporation. The Station operates as Aspen Public Radio. The Station was organized to engage in the operation of a non-commercial, nonprofit radio broadcasting servicing the Aspen, Colorado community with predominantly cultural, educational and informational radio service.

BASIS OF ACCOUNTING

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

FINANCIAL STATEMENT 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 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.

CONTRIBUTIONS

The Station accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Station receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, program activities and special events. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash held in deposits and temporary investments with an original maturity of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment 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 accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Management has reviewed balances at December 31, 2008 and believes they are all collectible.

PLEDGES RECEIVABLE

Unconditional promises to give are recognized as revenues in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Conditional promises to give are recognized as revenues when the conditions on which they depend on are substantially met. At December 31, 2008, there are no pledges receivable.

INVESTMENTS

The Station has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

BOARD DESIGNATED UNRESTRICTED NET ASSETS

Every month \$2,667 is transferred to board designated funds to cover costs of future major maintenance. At December 31, 2008 the balance of board designated net assets is \$52,695.

PROPERTY & EQUIPMENT

The Station capitalizes all additions to property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Such donated property is 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 Station reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Station reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over their estimated useful lives of 5 to 39 years primarily using the straight-line method.

The Station's lease specifies that the Landlord may require the Station to return the leased premises to the original condition prior to the commencement of this lease. Management does not believe the Landlord will require the Station to restore the Station to its original condition given the improvements made. Therefore an asset retirement obligation has not been included in the financial statements. In the unlikely case that the Station was required to remove the improvements, the estimated cost to restore would be immaterial.

A significant amount of radio equipment was purchased with Federal funds. Those assets cannot be sold without approval from the Federal government.

DEFERRED REVENUE

Deferred revenue consists of underwriting fees paid to the Station for advertising and promotional airtime. Underwriting fees are paid in advance by the customer and cover the contracted amount of air time.

ACCRUED VACATION

A liability for accrued vacation has not been included in these financial statements because the Station's policy does not permit vacation time to be carried forward beyond the end of the year.

INCOME TAX STATUS

The Station is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as a public foundation. Contributions to the Station are tax deductible as permitted under the Code.

The Station has elected to defer the provisions of FIN 48, *Accounting for Income Taxes*, under the provisions of FSP FIN 48-3. The Association uses FAS-5, *Loss Contingencies*, approach for evaluating uncertain tax positions. The Station continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

ADVERTISING

The organization expenses advertising costs as incurred. Total advertising expense for the year ended December 31, 2008 was \$46,617

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building & Improvements	\$ 28,744
Radio Equipment	34,631
Computer Equipment	86,160
	<u>149,535</u>
Less Accumulated Depreciation	(82,411)
Net Property & Equipment	<u>\$ 67,124.00</u>

3. CONCENTRATION OF RISK

The organization has concentrated its credit risk for cash by maintaining deposits in local banks which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. At December 31, 2008 there were no uninsured cash balances.

In October of 2008 the Federal Deposit Insurance Corporation temporarily increased its coverage from \$100,000 to \$250,000. This temporary increase will remain in effect until December 31, 2009.

4. INVESTMENTS

Investments at December 31, 2008 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain / (Loss)</u>
Mutual Funds			
Stock Fund	\$ 57,593	\$ 26,903	\$ (30,690)
Treasury Fund	100,000	107,843	\$ 7,843
LLC interest in Sunlight Peak, LLC	73,589	73,589	-
	<u>\$ 231,182</u>	<u>\$ 208,335</u>	<u>\$ (22,847)</u>

For the year ended December 31, 2008, an unrealized loss of \$25,051 is included in unrestricted investment income on the statement of activities.

The Station's investment in the transmitter tower consist of \$73,589 in capital contributions to Sunlight Peak, LLC ("Sunlight"), a Colorado non-profit limited liability company owned by three non-profit organizations to jointly share in the construction and maintenance costs of the Sunlight Peak transmitter tower. Since Sunlight is a non-profit organization, no income or loss flows through to the Station.

5. NOTES PAYABLE / REVENUE SHARING AGREEMENT MANAUS FUND

Effective February 22, 2006 the Station entered into a program related investment agreement with the Manus Fund ("Manaus"). Under this agreement the Station added a full time, down-valley bilingual (English and Spanish) reporter to the news department in order to enhance in-depth on-air coverage of issues of interest to all residents of the Roaring Fork, Colorado and Eagle River Valleys. Manus provided to the Station \$50,000 on the date of employment of the new reporter, \$40,000 on the first year anniversary, and \$30,000 on the second year anniversary date. The total amount of \$120,000 received from Manus was treated by the Station as notes payable. \$25,000 was in the form of a loan evidenced by a promissory note due and payable no later than five years following the initial \$50,000 payment with 5% interest rate with interest payable annually. The remainder, \$95,000 was booked as a note payable without stated interest rate as there was an expectation on the part of Manus to receive a return on their investment should this campaign result in an increase in down-valley contributions and underwriting income.

Both notes payable are serviced by a revenue sharing arrangement from a split of all new underwriting revenues and members originating from non-Aspen or non-Basalt zip codes during the next ten years. Under the payment plan the payments will apply to the \$25,000 note payable with stated interest first. There is no cap on the amount of revenue sharing during the 10 year period.

Manaus sharing percentages of related new members and underwriting revenues are as follows:

2006	0%	2011	20%
2007	65%	2012	20%
2008	55%	2013	20%
2009	45%	2014	20%
2010	20%	2015	20%

For the year ended December 31, 2008 the Station paid \$9,795 to Manaus for its share of newly generated revenues subject to this agreement, of which \$6,682 was applied to pay off the outstanding interest-bearing promissory note of \$6,394 and its accrued interest in the amount of \$287. The remaining payment balance of \$3,114 was applied to the non-interest bearing note payable resulting in an unpaid balance of \$91,886.

Per the agreement, the Station received a scheduled payment of \$30,000 which was added to the outstanding note payable without a stated interest rate.

6. PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2008 permanently restricted net assets consisted of the following:

Endowment Fund	<u>\$ 195,000</u>
----------------	-------------------

The endowment fund was established in 2007 to provide the Station with a continual source of earnings. The principal is not expendable by the Station for general operating purposes. Income from the endowment fund investment is reported in the unrestricted fund and is available for the Station's operations.

7. OPERATING LEASES

The Station leases office space from the City of Aspen under a two year lease that expires September 30, 2009. Monthly payments were \$2,163 from January 1, 2008 through September 30, 2008, and \$2,284 for October 1, 2008 through December 31, 2008. A security deposit of \$2,534 is included in these financial statements.

The Station has a lease for an equipment storage area for \$200 per month. That lease expires on February 28, 2020. The Station has an option to extend the lease for an additional 15 years after the current extension expires. This property changed hands in 2006. The new owner has not accepted any payments on this lease and therefore the Station no longer accrues for this expense. The Station believes any accrual that might be required in the future would be a nominal amount.

The Station entered a land lease agreement with POW, Inc. for access to the radio booster antenna and associated equipment located there through May 31, 2015. There is an option to renew for an additional ten years. The lessor has the option to receive 50% of the lease payments in trade radio spots. There is

a cancellation fee of \$3000 on the lease. For the fiscal year ending December 31, 2008 monthly payments were \$220.

Future minimum payments under these agreements follow:

December 31,		
2009	\$	23,196
2010		3,165
2011		3,540
2012		3,540
2013		3,540
Future years		<u>5,015</u>
Total	\$	<u><u>41,996</u></u>

Total expense under these leases was \$28,876 for the year ended December 31, 2008.

The Station has an agreement with Everwave, LLC to sublease part of the storage area formerly owned by Wilk Wilkinson (see above) for \$1,000 per month from November 1, 2004 through October 31, 2007 and for \$1,100 per month from November 1, 2007 through October 31, 2009. The agreement provides for an extension for an additional 5 years. The Station previously paid 30% of any sublease income received to Wilkinson per the lease agreement with him. These financial statements include \$13,200 of sublease income and \$3,960 additional rent expense paid related to the sublease income. This property changed hands in 2006. The Station has attempted to contact the new owner, but has not been successful. The Station has been accruing rent as a liability on the financial statements at \$360 a month through December 31, 2008. At December 31, 2008 a \$10,200 liability existed on the books.

8. ECONOMIC DEPENDENCY

The Station receives a substantial amount of its support from the Corporation for Public Broadcasting (CPB) and contributors. If a significant reduction in this level of support were to occur, it may have an adverse effect on the Station's programs and activities. CPB funds are subject to certain use and reporting requirements. Should CPB determine funds were not spent properly, the Station may be required to return the funds. The Station believes all CPB funds have been spent in accordance with CPB's restrictions.

The Station also receives a significant amount of support from the City of Aspen through the sharing of cable franchise fees. This arrangement has been negotiated each year. The Station has no reason to believe this arrangement will be discontinued in the near future.

The Station receives a significant amount of services from National Public Radio (NPR). The Station's programming would be negatively affected if it no longer had access to NPR programming. The Station has no reason to believe that there will be any change in the availability of NPR programming in the near future.

9. FUNCTIONAL EXPENSES

The costs of producing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. RETIREMENT PLAN

The Station offers to its staff the option to participate in a retirement plan pursuant to section 403(b) of the Internal Revenue Code. Staff contributions are voluntary and are made on a pre-tax basis. The Station has no obligation to make employer contributions. The Station does voluntarily make contributions based on their employee manual in accordance with its policy. This is a matching program that starts during the second year of continual employment as a match to the employees' voluntary contribution. The matching contribution by the Station is based on the length of employment and will at no time exceed 6% of the employee's salary. For the year ended December 31, 2008, the Station's contributions totaled \$6,756.

11. RECLASSIFICATION

Certain accounts in the prior-year financial statements have been reclassified to conform to the presentation in the current-year financial statements.