

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

FINANCIAL STATEMENTS

December 31, 2009

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

FINANCIAL STATEMENTS

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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 DOMELEN, 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, 2009 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, 2009 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, 2010

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

STATEMENT OF FINANCIAL POSITION

December 31, 2009

ASSETS

Cash and Cash Equivalents	\$ 328,528
Accounts Receivable	17,528
Employee Receivables	2,364
Investments	212,043
Property & Equipment, net	121,786
Security Deposits	2,486
TOTAL ASSETS	<u>\$ 684,735</u>

LIABILITIES & NET ASSETS

LIABILITIES

Accounts Payable	\$ 30,949
Deferred Revenue	9,528
Note Payable	74,448
TOTAL LIABILITIES	<u>114,925</u>

NET ASSETS

Unrestricted, Undesignated	207,869
Unrestricted, Board Designated	68,372
Total Unrestricted	276,241
Temporarily Restricted	73,569
Permanently Restricted	220,000
TOTAL NET ASSETS	<u>569,810</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 684,735</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, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 391,129	\$ 131,000	\$ -	\$ 522,129
Grants	297,290	3,000	-	300,290
Underwriting Revenue	218,851	-	-	218,851
Other Revenue	15,300	-	-	15,300
Investment Revenue	33,752	-	-	33,752
Net Assets Released from Restrictions:				
Satisfaction of Equipment Acquisitions	57,225	(57,225)	-	-
Satisfaction of Program Restrictions	4,329	(4,329)	-	-
TOTAL SUPPORT AND REVENUES	1,017,876	72,446	-	1,090,322
EXPENSES				
Program Services	674,840	-	-	674,840
General & Administrative	169,905	-	-	169,905
Fundraising	48,009	-	-	48,009
TOTAL EXPENSES	892,754	-	-	892,754
CHANGE IN NET ASSETS	125,122	72,446	-	197,568
NET ASSETS, January 1 (Restated)	151,119	1,123	220,000	372,242
NET ASSETS, December 31	\$ 276,241	\$ 73,569	\$ 220,000	\$ 569,810

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, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 197,568
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	29,450
Loss on Disposed Assets	624
Unrealized (Gain) / Loss on Investments	(28,965)
Realized (Gain) / Loss on Investments	(908)
(Increase) Decrease in Accounts Receivable	13,039
(Increase) Decrease in Employee Receivables	466
(Increase) Decrease in Prepaid Expenses	14,421
(Increase) Decrease in Security Deposits	14,985
Increase (Decrease) in Accounts Payable	1,479
Increase (Decrease) in Deferred Revenue	869
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>243,028</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(232,944)
Proceeds from the Sale of Investments	259,109
Purchase of Property & Equipment	(84,736)
NET CASH USED IN INVESTING ACTIVITIES	<u>(58,571)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Note Payable	(17,438)
NET CASH USED IN FINANCING ACTIVITIES	<u>(17,438)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS **167,019**

CASH AND CASH EQUIVALENTS, January 1 **161,509**

CASH AND CASH EQUIVALENTS, December 31 **\$ 328,528**

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, 2009

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 is organized to engage in the operation of a non-commercial, nonprofit radio broadcasting servicing the communities of the Roaring Fork, Frying Pan, Colorado and Crystal River Valleys with predominantly cultural, educational and informational radio service.

BASIS OF ACCOUNTING

The financial statements of the Station have been prepared in accordance with the United States Generally Accepted Account Principles (GAAP).

FINANCIAL STATEMENT PRESENTATION

The Financial Accounting Standards Board (FASB) issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, which became effective on July 1, 2009, and establishes the FASB Accounting Standards Codification (“FASC”). The Codification has become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

The Station follows the requirements of the FASC as well as additional specific requirements on Not-for-Profit entities in section 958 of the FASC. Under FASC Section 958, net assets and revenues, expenses, gains, and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, 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.

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, 2009 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, 2009, there are no pledges receivable.

INVESTMENTS

The Station carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

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 appropriate Federal agency.

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.

CONTRIBUTIONS

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.

UNDERWRITING REVENUE

At December 31, 2009, \$60,530 of underwriting revenue was received as trade for services and is included in underwriting revenue on this financial statement. The amount included \$23,070 in advertising, \$20,750 in benefits, \$11,810 in maintenance and \$4,900 in professional fees. \$50,179 of the total expenses is included in program expenses, \$9,381 is included in general & administrative expenses and \$970 are included in fundraising expenses.

DONATED SERVICES

The Station receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, program activities and special events. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Station if not provided by donation. Services meeting the above criteria are recorded at their fair values in the period received. At December 31, 2009, \$60,530 of underwriting revenue was noted. This included \$23,070 in advertising, \$20,750 in benefits, \$11,810 in maintenance and \$4,900 in professional fees.

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 requires the use of a two-step approach for recognizing and measuring tax positions taken or expected to be taken in a tax return in accordance with FASC 740, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements. First, a tax position should only be recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination by the taxing authority. Second, a tax position that meets the recognition threshold should be measured at the largest amount that has a greater than 50 percent likelihood of being sustained.

The Station believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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.

ADVERTISING

The organization expenses advertising costs as incurred. Total advertising expense for the year ended December 31, 2009 was \$25,451. \$23,070 of total advertising expenses was received in trade for underwriting revenue.

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.

2. INVESTMENTS

Investments at December 31, 2009 consist of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain / (Loss)</u>
Bond Funds	\$ 95,364	\$ 95,148	\$ 216
Equities	43,090	37,189	5,901
LLC Interest in Sunlight Peak, LLC	73,589	73,589	-
	<u>\$ 212,043</u>	<u>\$ 205,926</u>	<u>\$ 6,117</u>

\$106,954 of the permanently restricted funds is included in cash and cash equivalents on the statement of financial position.

Investment income from these investments for the year ended December 31, 2009 is summarized as follows:

Bank Interest	\$ 942
Interest and Dividends	2,937
Net Realized Gain (Loss)	908
Net Unrealized Gain (Loss)	<u>28,965</u>
Total Return	<u><u>\$ 33,752</u></u>

The Station’s investment in the transmitter tower consists 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 wholly owned by three non-profit organizations, it does not issue a tax return.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building & Improvements	\$ 28,744
Radio Equipment	113,038
Computer Equipment	<u>74,938</u>
	216,720
Less Accumulated Depreciation	<u>(94,934)</u>
Net Property & Equipment	<u><u>\$ 121,786</u></u>

4. NOTE PAYABLE / REVENUE SHARING AGREEMENT MANAUS FUND

Effective February 22, 2006 the Station entered into a program related investment agreement with the Manaus 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 River, Colorado River and Eagle River Valleys. Manaus 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 Manaus 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 Manaus 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 obtained during the next ten years. The new revenue must originate from the zip

codes specified in the contract. 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 was 45% for 2009 and is 20% for 2010 through 2015.

For the year ended December 31, 2009 the Station paid \$9,914 to Manaus for its share of newly generated revenues subject to this agreement. The \$25,000 interest bearing note was paid in full in 2007, therefore all payments made in 2009 were applied to the note payable without stated interest.

In addition to the payments above, the agreement allows for underwriting trade announcements provided to Manaus or on behalf of their fellow non-profits to be applied towards the note payable. For the year ended December 31, 2009, \$7,524 in trade revenue was applied toward the note.

The above payments resulted in an unpaid balance on the note payable of \$74,448 as of December 31, 2009.

5. UNRESTRICTED BOARD DESIGNATED NET ASSETS

Board designated funds are set aside to cover costs of future major maintenance. At December 31, 2009 the balance of board designated net assets is \$68,372. \$58,635 is restricted for capital purchases and \$9,737 is restricted for the Smuggler tower.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Purchase of Air Conditioner	\$ 30,000
Purchase of Broadcast Equipment	29,275
Studio Renovation	2,000
Capital Purchases	12,000
Scholarship Fund	294
	<u>\$ 73,569</u>

7. PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2009 permanently restricted net assets consists of \$220,000. 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.

8. CONCENTRATION OF RISKS

CREDIT RISK

The Station has amounts on deposit at financial institutions that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses in these accounts and believes there is no significant risk with respect to these deposits. On of October 3, 2008, the FDIC temporarily increased its coverage to \$250,000. This temporary increase will be in effect until December 31, 2013.

ECONOMIC DEPENDENCY

The Station operates from a single location and relies on its broadcasting assets to serve its coverage areas within the Roaring Fork, Colorado, Frying Pan, and Crystal River Valleys. The Station's broadcasting assets (including transmission towers) are located in various leased properties that may not be easily replaced or substituted with different properties. If the Station is required to change the locations of its broadcasting assets, it may need to settle with less than ideal locations or invest in additional broadcasting assets to maintain its coverage areas.

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. As of January 1, 2010, the Station is de-coupled from the cable franchise fee income through the City of Aspen. The Station will apply for grants from the City of Aspen through the annual City budget process.

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. OPERATING LEASES

The Station leases office space from the City of Aspen under a two year lease that expires September 30, 2011. Monthly payments were \$2,284 from January 1 through September 30 and \$2,236 from October 1 through December 31. The lease was amended to include additional space in 2010. As of April 1, 2010, the monthly lease expense increased to \$4,013. Total rent expense for the year ending December 31, 2009 on this lease was \$27,264. A security deposit of \$2,534 is included in these financial statements.

The Station has a lease for a radio transmitter site on Smuggler Mountain in Aspen. 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 lease allows the Station to sublease space on its transmitter tower and in its equipment building.

The lease calls for a rent of one dollar per year. If the Station subleases space at the site, the lessor is to receive 30% of the sublease revenue until all costs for the transmitter tower, building, and equipment have been paid in full. After these costs have been paid in full the lessor is to receive 50% of the sublease revenue.

The property changed hands in 2006. The new owner has not contacted the Station and, in particular, has not given the Station instructions for payment of rent.

The Station had a sublease agreement with Everwave, LLC for \$1,000 per month from November 1, 2004 through October 31, 2007 and for \$1,100 per month from November 1, 2007 through June 1, 2009. On June 1, 2009 the Station entered into a sublease agreement with Rocky Mountain Broadband, LLC for \$1,100 per month until May 31, 2010 and for \$1,200 per month until the lease ends on May 31, 2014. The agreement provides for an extension for an additional 5 years.

The Station established a reserve fund against the possibility that the owner may contact the Station and demand rent and accrues rent liability.

These financial statements include \$13,700 of sublease income and \$4,110 additional rent expense paid related to the sublease income. At December 31, 2009 a \$14,310 lease liability is included in the Station's financial statements.

The Station entered a land lease agreement with POW, Inc. for access to the radio booster antenna and associated equipment located on Iron Mountain near Glenwood Springs through May 31, 2015. The lease includes 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, 2009 the lease expense was \$2,640.

Future minimum payments under all lease agreements follow:

December 31,	<u>Expense</u>	<u>Revenue</u>
2010	\$ 29,997	\$ 13,900
2011	23,664	14,400
2012	3,540	14,400
2013	3,540	14,400
Future years	<u>50,960</u>	<u>6,000</u>
Total	<u>\$ 111,701</u>	<u>\$ 63,100</u>

Total expense under these leases was \$29,047 for the year ended December 31, 2009.

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, 2009, the Station's contributions totaled \$10,370.

11. RESTATEMENT

Both the permanently restricted net assets and the unrestricted net assets were restated. The permanently restricted net assets were increased by \$25,000 and the unrestricted net assets were decreased by \$25,000. The contribution was originally recorded as a capital temporarily restricted contribution which was released within the same year as the restriction was deemed to have been met. Due to the clarification of the donor's intent subsequent to the 2007 financial statements, this contribution was re-classified to the permanently restricted net assets.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 19, 2010, which is the date the financial statements were available to be issued. On March 3, 2010 the Station amended their current lease with the City of Aspen to include an additional space.