

COMMUNITY RADIO FOR
NORTHERN COLORADO

FINANCIAL STATEMENTS

Years Ended September 30, 2007 and 2006

TABLE OF CONTENTS

Independent Auditors' Report	1
STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS.....	5
Schedule of Functional Expenses	11



Independent Auditors' Report

Board of Directors
Community Radio for Northern Colorado
Greeley, Colorado

We have audited the accompanying statements of financial position of Community Radio for Northern Colorado (a nonprofit organization) as of September 30, 2007 and 2006 and the related statements of activities, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide 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 Community Radio for Northern Colorado as of September 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson & Whitney P.C.

December 6, 2007

COMMUNITY RADIO FOR NORTHERN COLORADO

STATEMENTS OF FINANCIAL POSITION

September 30	2007	2006
ASSETS		
Current Assets:		
Cash on hand and in banks	\$ 709,869	\$ 898,018
Receivables - underwriting	77,629	44,367
Prepaid expenses	17,287	11,431
Total Current Assets	804,785	953,816
Investments - endowment account	222,508	192,014
Property and Equipment:		
Music library	42,400	42,400
Equipment and furniture	840,484	656,378
Leasehold improvements	112,240	108,927
	995,124	807,705
Less: Accumulated depreciation	(379,082)	(299,650)
Total Property and Equipment	616,042	508,055
Intangible Assets:		
FCC licenses, donor list, etc.	1,027,047	1,027,047
TOTAL ASSETS	\$ 2,670,382	\$ 2,680,932
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 15,697	\$ 12,482
Accrued payroll	45,461	44,285
Gift annuity payable	5,393	6,175
Total Liabilities	66,551	62,942
Net Assets:		
Unrestricted:		
Undesignated	1,718,653	1,740,935
Board designated:		
Operating contingencies	488,771	420,814
Capital contingencies	173,899	264,227
Endowment	222,508	192,014
Total Net Assets	2,603,831	2,617,990
TOTAL LIABILITIES AND NET ASSETS	\$ 2,670,382	\$ 2,680,932

See Accompanying Notes to Financial Statements.

COMMUNITY RADIO FOR NORTHERN COLORADO

STATEMENTS OF ACTIVITIES

Years Ended September 30	2007	2006
Change in Unrestricted Net Assets:		
Revenue from Operations:		
Underwriting	\$ 494,908	\$ 421,496
Total Revenue from Operations	494,908	421,496
Public Support:		
Contributions	1,314,877	1,159,307
Special events	61,710	212,246
CPB Grant	226,683	254,534
Total Public Support	1,603,270	1,626,087
Total Revenue and Public Support	2,098,178	2,047,583
Expenses from Operations:		
Program Services:		
Programming and production	944,395	842,148
Broadcasting	268,411	247,270
Program information	20,527	19,980
Total Program Services	1,233,333	1,109,398
Supporting Services:		
Management and general	409,013	406,740
Fundraising and membership development	543,401	570,059
Total Supporting Services	952,414	976,799
Total Expenses from Operations	2,185,747	2,086,197
Nonoperating Revenue:		
Interest income	43,015	33,160
Loss on disposition of assets	(99)	-
Endowment contributions	-	12,349
Net gain on long-term investment	30,494	15,958
Total Nonoperating Revenue	73,410	61,467
Increase (Decrease) in Net Assets	(14,159)	22,853
Net Assets, Beginning of Year	2,617,990	2,595,137
Net Assets, End of Year	\$2,603,831	\$2,617,990

See Accompanying Notes to Financial Statements.

COMMUNITY RADIO FOR NORTHERN COLORADO

STATEMENTS OF CASH FLOWS

Years Ended September 30	2007	2006
Cash Flows From Operating Activities:		
Cash received (paid) for:		
Underwriting	\$ 461,646	\$ 421,496
Contributions and grants	1,602,488	1,651,087
Interest income	43,015	33,160
Salaries and benefits	(1,027,019)	(866,889)
Payments to vendors	(1,077,408)	(1,155,315)
Net Cash Provided by Operating Activities	2,722	83,539
Cash Flows From Investing Activities:		
Purchase of:		
Property, equipment, and intangibles	(190,871)	(82,440)
Net Cash Used by Investing Activities	(190,871)	(82,440)
Cash Flows From Financing Activities:		
Endowment contributions	-	12,349
Net Cash Provided by Financing Activities	-	12,349
Net Increase (Decrease) in Cash and Cash Equivalents	(188,149)	13,448
Cash and Cash Equivalents, Beginning of Year	898,018	884,570
Cash and Cash Equivalents, End of Year	\$ 709,869	\$ 898,018
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Increase (Decrease) in net assets	\$ (14,159)	\$ 22,853
Adjustments:		
Depreciation	82,785	74,673
Loss on disposition of assets	99	-
Unrealized gain on investments	(30,494)	(15,958)
Endowment contributions	-	(12,349)
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Receivables	(33,262)	25,000
Prepaid expenses	(5,856)	(3,144)
Increase (Decrease) in:		
Accounts payable	3,215	(14,577)
Accrued expenses	1,176	7,041
Gift annuity	(782)	-
Net Cash Provided by Operating Activities	\$ 2,722	\$ 83,539

See Accompanying Notes to Financial Statements.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Community Radio for Northern Colorado (CRNC) is a non-profit, community-based corporation serving Colorado through its noncommercial radio station, KUNC-FM. CRNC was incorporated on February 12, 2001.

Organization and History:

KUNC-FM (the Station) is a 81,000 watt public radio station operated by and licensed to Community Radio for Northern Colorado. The Station was placed on the air January 1, 1967 as a 10 watt local station known as KCBL-FM. Originally, the Station was licensed to the Associated Students of Colorado State College. In May 1970, Colorado State College changed its name to the University of Northern Colorado and KCBL-FM concurrently became KUNC-FM, and the Station's license was reissued in the name of the Trustees of the University of Northern Colorado. In August 2001, the Station was purchased by CRNC.

KUNC-FM's mission is to provide diverse, high quality news, music, and informational and cultural programming to local, regional, and national audiences. The Station's primary coverage area is a 75-mile radius of the City of Greeley, Colorado. KUNC-FM is also heard locally in Summit County, Estes Park, Sterling/Lone Star, Gypsum, Boulder, Leadville, Salida, Buena Vista, Eagle Valley/Vail, Steamboat Springs/Kremmling/Walden, Yuma, and other parts of northeastern Colorado through the use of broadcast translators. In 2006, KUNC's translator license at 88.5 FM in Steamboat Springs was converted to a station license and continues to operate in Steamboat Springs as KRNC-FM. The Station is professionally managed and operated, and is on the air approximately 168 hours per week throughout the year.

Accrual Basis:

The financial statements of CRNC have been prepared on the accrual basis. Under the accrual basis of accounting, assets, liabilities, revenues, and expenses are recorded when earned or incurred, regardless of when received or paid in cash.

Cash and Cash Equivalents:

CRNC considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

At times during the year, CRNC maintains bank balances in excess of FDIC insurance limits.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Income Taxes:

CRNC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that CRNC is not considered a private foundation under the Internal Revenue Code.

Grant Revenue Recognition:

Grant funds which are restricted by the donor for specified projects or purposes are recognized as revenue when related expenditures are incurred. Unexpended grant funds, if any, are recorded as deferred revenue at the balance sheet date.

Contributions:

Unrestricted contributions are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions with donor restrictions are recognized as restricted revenue. Generally, donors place restrictions on contributions for a specific time period and/or a specific use or purpose. Once donor restrictions have been satisfied, temporarily restricted revenue is released and reclassified as unrestricted revenue. If a restriction is fulfilled in the same year in which the contribution is received, the entity reports the support as unrestricted.

Net assets subject to donor-imposed stipulations that they be maintained permanently by CRNC are classified as permanently restricted. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Restrictions on gifts of property or equipment or gifts restricted to the purchase of property or equipment, if any, are satisfied when the assets are placed in service.

Investments:

Investments are composed of mutual funds investing in equity and debt securities and are stated at fair value.

Reclassifications:

Certain 2006 amounts have been reclassified for comparison with the 2007 financial statement presentation

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Property and Equipment:

Fixed assets are recorded at cost or, in the case of donated equipment, at its fair value at the date of receipt. Fixed assets with a unit cost of \$1,000 or more are capitalized if they will benefit CRNC more than one year. Equipment purchased from Federal sources is capitalized if the unit cost is \$1,000 or more.

Depreciation is calculated using the straight-line method over the estimated useful life of the assets ranging from 5 to 20 years.

Allocation of Management and Fundraising Expenses:

Expenses incurred for management and fundraising purposes are allocated based upon direct costs and estimated indirect costs related to these categories.

In-Kind Contributions and Donated Services:

The value of contributed support is not valued or recorded in the accompanying statement of activities as it is immaterial to the financial statements.

Compensated Absences:

CRNC employees may accrue annual and personal leave based on length of service. Annual leave is not cumulative and cannot be carried over beyond the employee's hiring anniversary date. Personal leave for illness, etc., can be accumulated up to 160 hours.

Use of Estimates:

The preparation of CRNC's financial statements on the basis of accounting described above requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Underwriting Receivables:

Receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus underwriting receivables do not bear interest.

Underwriting receivables are periodically evaluated for collectibility based on past credit history with sponsors and their current financial condition. An allowance for uncollectible underwriting is not considered necessary.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Investments:

September 30	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Board-Designated Endowment:				
First Focus Growth Opportunities Fund	\$ 48,645	\$ 65,651	\$ 42,815	\$ 56,603
MFS Value Fund	28,581	40,149	26,268	33,497
Fidelity Advisor Small Cap	16,931	17,223	19,785	18,451
T-Rowe Price Growth Stock Fund	27,237	35,788	26,957	30,329
MFS Emerging Markets Equity Fund	8,941	13,478	8,941	9,669
Pacific Capital Small Cap Fund	17,883	19,510	17,883	19,166
AllianceBernstein Int. Value Fund	14,162	19,882	11,794	15,247
Union Colony Bank Money Market Fund	10,827	10,827	9,052	9,052
	\$ 173,207	\$ 222,508	\$ 163,495	\$ 192,014

The following schedule summarizes the investment return and its classification in the statement of activities:

	2007	2006
Interest and dividends	\$ 4,451	\$ 1,078
Realized/unrealized gain	30,494	14,880
Total Investment Gain	\$ 34,945	\$ 15,958

NOTE 3 - Retirement Plan:

CRNC maintains a 403(b) tax-deferred annuity plan for all employees. Employees have the option of directing part of their pay into the plan. The employee deferral is matched equally by CRNC up to a maximum of 8% of the employee's annual salary. CRNC contributions for the years ended September 30, 2007 and 2006 were \$49,354 and \$43,716, respectively.

NOTE 4 - Operating Leases:

CRNC leases office space maturing in 2011 and tower space maturing in 2017. The option to cancel the office lease in 2006 was not exercised.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Operating Leases - Continued:

In February 2007, CRNC entered into a ten-year lease for tower space with an option to extend the lease an additional ten years.

Future minimum payments by year under noncancellable operating leases consist of the following at September 30, 2007:

Year Ending September 30	Amount
2008	\$118,044
2009	119,442
2010	116,971
2011	104,351
2012	63,603

Rental expense for all operating leases was approximately \$124,385 and \$94,345 for the years ended September 30, 2007 and 2006, respectively.

NOTE 5 - Property Lien:

Under Public Telecommunications Facilities Program (PTFP) policy all PTFP grant recipients must record a priority lien securing the government's interest as a priority creditor for all equipment purchased by PTFP funded projects. During the project period (2003-2004), the Station purchased equipment under PTFP grant 08-01-03109. A lien on this equipment was recorded with the Weld County Clerk and Recorder and is summarized as follows:

Equipment Funding Source	Cost
Federal PTFP grant funds	\$ 96,793
Nonfederal required matching	96,794
Total equipment recorded under lien	\$ 193,587

NOTE 6 - Asset Purchase Agreements:

On April 2, 2001, CRNC completed an asset purchase agreement with the University of Northern Colorado (UNC) to purchase KUNC-FM and its related assets. On August 2, 2001, the University transferred all licenses issued by the Federal Communications Commission (FCC) for the operation of KUNC-FM to CRNC as well as all other related assets.

The purchase price of \$1,927,627 at August 2, 2001 was allocated based on the approximate fair value of assets received.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - Asset Purchase Agreements - Continued:

The FCC license and other intangible assets are considered to have an indefinite life and therefore are not amortized. The current license expires in April 2013 and can be renewed. The useful life of assets will be evaluated each year and if any are determined to have a definite useful life, the asset will be amortized over the remaining years.

CRNC entered into an asset purchase agreement on September 9, 2005, with Educational Communications of Colorado Springs, Inc. (ECCS) for ECCS to assign its FCC authorizations related to KTAH-FM in Steamboat Springs to CRNC. In turn, CRNC assigned its FCC authorizations related to its translator station in Steamboat Springs to ECCS. CRNC also withdrew an application for a station license to serve Leadville as ECCS transferred their translator license in Leadville to CRNC.

An initial installment deposit was made for \$5,000 for the station in 2005. In 2006 an additional \$45,000 payment was made for a total purchase price of \$50,000.

NOTE 7 – Board-Designated Endowment:

CRNC established a board-designated endowment fund in May 2002. Each calendar year, the Board of Directors of Community Radio for Northern Colorado may authorize spending the greater of \$10,000 or 10% of the value of any balances in the endowment fund.

COMMUNITY RADIO FOR NORTHERN COLORADO

Schedule of Functional Expenses

Year Ended September 30	Program Services	Management and General	Fundraising	2007 Total	2006 Total
Salaries and Benefits	\$ 513,853	\$ 204,462	\$ 309,880	\$1,028,195	\$ 873,930
Dues and Memberships	9,819	4,662	3,542	18,023	16,690
Equipment Maintenance	27,854	1,596	490	29,940	30,256
Program, Broadcast, and License Fees	453,679	-	-	453,679	421,483
Supplies	21,185	9,748	3,357	34,290	21,356
Printing, Promotion, Special Events	5,422	5,918	109,262	120,602	237,740
Postage	694	3,183	34,630	38,507	33,398
Building and Equipment Rental	61,087	63,298	-	124,385	94,345
Telephone	5,236	20,570	6,832	32,638	38,740
Travel	9,658	1,334	9,374	20,366	27,807
Utilities	29,026	-	-	29,026	28,048
Purchased Services	10,764	21,011	19,084	50,859	74,905
Professional Development	2,533	1,449	6,019	10,001	11,707
Depreciation	56,034	23,707	3,044	82,785	74,674
Other	127	15,921	19,391	35,439	35,363
Information Technology	18,166	18,070	18,496	54,732	40,286
Insurance	8,196	14,084	-	22,280	25,469
Total Expenses	\$1,233,333	\$ 409,013	\$ 543,401	\$2,185,747	\$2,086,197
As a Percentage of Total	56%	19%	25%	100%	100%