

COMMUNITY RADIO FOR
NORTHERN COLORADO

FINANCIAL STATEMENTS

Years Ended September 30, 2008 and 2007

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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, 2008 and 2007 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, 2008 and 2007, 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 5, 2008

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COMMUNITY RADIO FOR NORTHERN COLORADO

STATEMENTS OF FINANCIAL POSITION

September 30	2008	2007
ASSETS		
Current Assets:		
Cash on hand and in banks	\$ 43,013	\$ 107,665
Certificates of deposit	591,346	602,204
Receivables:		
Underwriting (net)	76,406	77,629
Miscellaneous	10,856	-
Prepaid expenses	43,373	17,287
Total Current Assets	764,994	804,785
Investments - endowment account	184,952	222,508
Property and Equipment:		
Music library	42,400	42,400
Equipment and furniture	868,411	840,484
Leasehold improvements	112,240	112,240
	1,023,051	995,124
Less: Accumulated depreciation	(433,320)	(379,082)
Total Property and Equipment	589,731	616,042
Intangible Assets:		
FCC licenses, etc.	1,031,947	1,027,047
TOTAL ASSETS	\$ 2,571,624	\$ 2,670,382
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 46,026	\$ 15,697
Accrued payroll	32,252	45,461
Gift annuity payable	5,393	5,393
Total Liabilities	83,671	66,551
Net Assets:		
Unrestricted:		
Undesignated	1,696,719	1,718,653
Board designated:		
Operating contingencies	433,485	488,771
Capital contingencies	172,797	173,899
Endowment	184,952	222,508
Total Net Assets	2,487,953	2,603,831
TOTAL LIABILITIES AND NET ASSETS	\$ 2,571,624	\$ 2,670,382

See Accompanying Notes to Financial Statements.

COMMUNITY RADIO FOR NORTHERN COLORADO

STATEMENTS OF ACTIVITIES

Years Ended September 30	2008	2007
Change in Unrestricted Net Assets:		
Revenue from Operations:		
Underwriting	\$ 593,136	\$ 494,908
Total Revenue from Operations	593,136	494,908
Public Support:		
Contributions	1,307,836	1,314,877
Special events	28,819	61,710
CPB Grant	225,108	226,683
Total Public Support	1,561,763	1,603,270
Total Revenue and Public Support	2,154,899	2,098,178
Expenses from Operations:		
Program Services:		
Programming and production	1,036,137	944,395
Broadcasting	289,592	268,411
Program information	17,795	20,527
Total Program Services	1,343,524	1,233,333
Supporting Services:		
Management and general	378,746	409,013
Fundraising and membership development	527,665	543,401
Total Supporting Services	906,411	952,414
Total Expenses from Operations	2,249,935	2,185,747
Revenue and Public Support Under Expenses	(95,036)	(87,569)
Nonoperating Revenue:		
Interest income	23,678	43,015
Loss on disposition of assets	(1,465)	(99)
Net gain (loss) on long-term investments	(43,055)	30,494
Total Nonoperating Revenue	(20,842)	73,410
Decrease in Net Assets	(115,878)	(14,159)
Net Assets, Beginning of Year	2,603,831	2,617,990
Net Assets, End of Year	\$2,487,953	\$2,603,831

See Accompanying Notes to Financial Statements.

COMMUNITY RADIO FOR NORTHERN COLORADO

STATEMENTS OF CASH FLOWS

Years Ended September 30	2008	2007
Cash Flows From Operating Activities:		
Cash received (paid) for:		
Underwriting	\$ 584,868	\$ 461,646
Contributions and grants	1,561,763	1,602,488
Interest and investment income	20,322	43,015
Salaries and benefits	(1,112,393)	(1,027,019)
Payments to vendors	(1,066,796)	(1,077,408)
Net Cash Provided (Used) by Operating Activities	(12,236)	2,722
Cash Flows From Investing Activities:		
Purchase of:		
Certificates of deposit	(402,553)	(602,203)
Investments	(104,365)	-
Property, equipment, and intangibles	(57,775)	(190,871)
Redemption of:		
Certificates of deposit	413,411	342,470
Investments	98,866	-
Net Cash Used by Investing Activities	(52,416)	(450,604)
Net Increase (Decrease) in Cash and Cash Equivalents	(64,652)	(447,882)
Cash and Cash Equivalents, Beginning of Year	107,665	555,547
Cash and Cash Equivalents, End of Year	\$ 43,013	\$ 107,665
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Increase (Decrease) in net assets	\$ (115,878)	\$ (14,159)
Adjustments:		
Bad debt expense	9,491	-
Depreciation	77,721	82,785
Loss on disposition of assets	1,465	99
Gain (loss) on investments	43,055	(30,494)
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Receivables	(19,124)	(33,262)
Prepaid expenses	(26,086)	(5,856)
Increase (Decrease) in:		
Accounts payable	30,329	3,215
Accrued expenses	(13,209)	1,176
Gift annuity	-	(782)
Net Cash Provided (Used) by Operating Activities	\$ (12,236)	\$ 2,722

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 stations, KUNC-FM and KRNC-FM. CRNC was incorporated on February 12, 2001.

Organization and History:

KUNC-FM (the Station) is an 36,000 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.

CRNC'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. CRNC 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 2007 amounts have been reclassified for comparison with the 2008 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.

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 of \$5,000 for uncollectible receivables is considered necessary at September 30, 2008 and 2007.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Investments:

September 30	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Board-Designated Endowment:				
First Focus Growth Opportunities Fund	\$ 35,559	\$ 34,399	\$ 48,645	\$ 65,651
Goldman Sach Government Income Fund	8,304	8,160	--	--
MFS Value Fund	33,984	33,681	28,581	40,149
PIMCO Total Return Fund	9,960	9,632	--	--
Fidelity Advisor Small Cap	--	--	16,931	17,223
T-Rowe Price Growth Stock Fund	35,288	31,562	27,237	35,788
Vanguard Short-Term Corp.	6,042	5,712	--	--
Vanguard Short-Term Federal Fund	6,306	6,241	--	--
Vanguard Small Cap Index	15,765	15,105	--	--
Vanguard Total Bond Mkt Index	12,612	12,098	--	--
AllianceBernstein Int. Value Fund	13,739	10,964	14,162	19,882
MFS Emerging Markets Equity Fund	6,376	5,702	8,941	13,478
Pacific Capital Small Cap Fund	--	--	17,883	19,510
First National Bank Money Market	11,696	11,696	--	--
Union Colony Bank Money Market Fund	--	--	10,827	10,827
	\$ 195,631	\$ 184,952	\$ 173,207	\$ 222,508

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

	2008	2007
Net investment earnings (loss)	\$ (1,172)	\$ 4,451
Realized/unrealized gain (loss)	(41,883)	30,494
Total Investment Gain (Loss)	\$(43,055)	\$ 34,945

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, 2008 and 2007 were \$57,883 and \$49,354, respectively.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Operating Leases:

CRNC leases office space maturing in 2011 and tower space maturing in 2017.

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, 2008:

Year Ending September 30	Amount
2009	\$ 131,967
2010	129,159
2011	111,763
2012	66,449
2013	68,442

Rental expense for all operating leases was approximately \$134,507 and \$124,385 for the years ended September 30, 2008 and 2007, 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 Agreement:

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.

COMMUNITY RADIO FOR NORTHERN COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - Asset Purchase Agreement - Continued:

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

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.

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			Fundraising and			
	Programming and Production	Program Broadcasting Information	Total Program Services	Management and General	Membership and Development	2008 Total	2007 Total
Salaries and Benefits	\$ 498,347	\$ 70,329	\$ -	\$ 174,331	\$ 356,177	\$ 1,099,184	\$ 1,028,195
Advertising	-	2,957	-	4,344	674	7,975	4,329
Bad Debt Expense	-	-	-	-	9,491	9,491	-
Bank and Credit Card Fees	-	-	-	7,032	23,045	30,077	30,656
Business Insurance	2,643	7,169	-	12,009	-	19,178	22,280
Depreciation	9,181	51,105	-	22,045	1,928	77,721	82,785
Dues & Memberships	-	560	-	4,728	3,067	17,536	18,023
Electricity	1,290	27,735	-	-	-	27,735	29,026
Equipment Maintenance	-	8,142	-	698	508	10,638	29,940
Information Technology	2,679	24,086	3,000	17,342	1,239	45,667	54,732
Other Expense	9,270	32	-	5,088	2,589	10,388	4,783
Purchased Services	24	201	-	40,820	30,470	80,761	50,859
Postage and Postal Services	-	720	7,412	4,372	27,231	39,759	38,507
Premiums & Promotional	219	-	-	-	24,640	24,640	55,716
Printing	375	-	4,426	2,007	16,208	22,860	19,968
Professional Development	489,401	-	-	1,333	4,625	6,333	10,001
Programming and Delivery Fee	14,411	15,000	-	-	-	504,401	453,679
Rent	-	72,276	-	47,820	-	134,507	124,385
Special Events	-	-	-	-	15,424	15,424	40,589
Supplies	947	7,595	-	9,874	782	19,198	34,290
Telephone	2,593	3,357	-	22,468	6,454	34,872	32,638
Travel	4,340	450	-	1,600	3,113	9,503	20,366
Vehicle Expense	417	835	-	835	-	2,087	-
Total Expenses	\$ 1,036,137	\$ 289,592	\$ 17,795	\$ 378,746	\$ 527,665	\$ 2,249,935	\$ 2,185,747