Community Radio for Northern Colorado

Financial Statements

As of and for the Years Ended
September 30, 2019 and 2018

ACM

Community Radio for Northern Colorado

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Independent Auditor's Report

Board of Directors
Community Radio for Northern Colorado
Greeley, Colorado

We have audited the accompanying financial statements of the Community Radio for Northern Colorado (the "Organization"), which comprise the statements of financial position as of September 30, 2019 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Radio for Northern Colorado as of September 30, 2019 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The September 30, 2018 financial statements of the Community Radio for Northern Colorado were audited by other auditors, whose report dated January 2, 2019 expressed an unmodified opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

ACM LLP

Greeley, Colorado
January 2, 2020

Community Radio for Northern Colorado

Statements of Financial Position

September 30,	**2019**	2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,718,832**	$ 1,097,719
Underwriting receivables, net	**172,723**	155,071
Other receivables	**1,513**	2,311
Prepaid expenses	**41,517**	40,394
Total current assets	**1,934,585**	1,295,495
Investments:		
Contingency funds	**491,579**	480,436
Endowment account	**380,771**	378,931
Total Investments	**872,350**	859,367
Property and equipment:		
Music library	**42,400**	42,400
Leasehold improvements	**86,480**	86,480
Equipment and furniture	**1,451,120**	1,410,800
	1,580,000	1,539,680
Less: Accumulated depreciation	**(1,242,289)**	(1,159,256)
Total property and equipment, net	**337,711**	380,424
Intangible assets:		
FCC licenses	**4,181,447**	4,181,447
Total assets	**$ 7,326,093**	$ 6,716,733
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 51,692**	$ 42,642
Accrued payroll	**45,195**	43,610
Deferred revenue	**146,367**	132,200
Current portion of long-term debt	**107,763**	102,656
Total current liabilities	**351,017**	321,108
Long-term debt, net of current portion	**499,866**	607,629
Total liabilities	**850,883**	928,737
Commitments and contingencies		
Net assets		
Without donor restrictions:		
Undesignated	**4,829,507**	4,259,037
Board designated:		
Operating reserves	**948,699**	862,521
Capital reserves	**316,233**	287,507
With donor restrictions	**380,771**	378,931
Total net assets	**6,475,210**	5,787,996
Total liabilities and net assets	**$ 7,326,093**	$ 6,716,733

See accompanying notes to the financial statements.

Community Radio for Northern Colorado

Statements of Activities

Year Ended September 30,	**2019**	2018
Change in net assets without donor restrictions:		
Revenue from operations:		
Underwriting	**$ 1,234,428**	$ 1,248,218
Capitol reporting project	**44,696**	48,533
Cable royalties and other income	**625**	37,923
Total revenue from operations	**1,279,749**	1,334,674
Public support:		
Contributions	**3,167,851**	3,018,476
Special events	**51,472**	6,572
CPB grants	**278,842**	250,010
Other grants	**264,529**	173,272
Total public support	**3,762,694**	3,448,330
Total revenue and public support	**5,042,443**	4,783,004
Expenses from operations:		
Program services:		
Programming and production	**2,571,866**	2,208,590
Broadcasting	**480,622**	503,507
Program information	**151,276**	111,941
Total program services	**3,203,764**	2,824,038
Management and general	**401,228**	357,194
Fundraising and membership development	**764,509**	749,829
Total expenses from operations	**4,369,501**	3,931,061
Revenue and public support over expenses	**672,942**	851,943
Nonoperating revenue (expense):		
Interest on bank accounts	**7,581**	1,955
Investment earnings, net	**4,851**	39,080
Total nonoperating revenue	**12,432**	41,035
Increase in net assets without donor restrictions	**685,374**	892,978
Change in net assets with donor restrictions:		
Investment earnings, net	**1,840**	35,025
Change in net assets	**687,214**	928,003
Net assets, beginning of year	**5,787,996**	4,859,993
Net assets, end of year	**$ 6,475,210**	$ 5,787,996

See accompanying notes to the financial statements.

Community Radio for Northern Colorado

Statements of Cash Flows

Year Ended September 30,	**2019**	2018
Cash flows from operating activities		
Cash received (paid) for:		
Underwriting	**$ 1,216,776**	$ 1,230,986
Capitol reporting project	**44,696**	48,533
Cable royalties and other income	**625**	37,923
Contributions and grants	**3,620,423**	3,386,886
Interest income	**7,581**	1,955
Salaries and benefits	**(2,527,375)**	(2,109,206)
Payment to vendors	**(1,695,580)**	(1,625,827)
Interest expense	**(32,760)**	(52,819)
Net cash provided by operating activities	**634,386**	918,431
Cash flows from investing activities		
Proceeds from sale of investment	**150,944**	106,387
Purchase of investments	**-**	-
Purchases of property and equipment	**(61,561)**	(98,861)
Net cash provided by investing activities	**89,383**	7,526
Cash flows from financing activities		
Proceeds of long-term borrowing	**-**	1,300,000
Principal payments on long-term borrowings	**(102,656)**	(1,889,715)
Net cash used by financing activities	**(102,656)**	(589,715)
Net Increase in cash and cash equivalents	**621,113**	336,242
Cash and cash equivalents, beginning of year	**1,097,719**	761,477
Cash and cash equivalents, end of year	**$ 1,718,832**	$ 1,097,719

See accompanying notes to the financial statements.

Community Radio for Northern Colorado

Statement of Functional Expenses

Year Ended September 30, 2019	Program Services				Management and General	Fundraising	Total 2019	Total 2018
	Programming & Production	Broadcasting	Program Information	Total				
Salaries and benefits	$ 1,610,203	$ 108,913	$ 103,451	$ 1,822,567	$ 188,501	$ 514,722	$ 2,525,790	$ 2,121,885
Bad debt expense	-	-	-	-	-	3,560	3,560	-
Bank and credit card fees	-	-	-	-	3,834	63,466	67,300	65,065
Business insurance	8,662	4,721	-	13,383	8,785	-	22,168	20,393
Depreciation	9,878	82,298	-	92,176	11,216	882	104,274	114,487
Dues & memberships	10,254	875	-	11,129	2,301	6,595	20,025	18,965
Equipment maintenance	995	11,372	-	12,367	4,615	-	16,982	28,769
Information technology	44,347	36,328	22,218	102,893	27,798	46,839	177,530	172,854
Interest expense	-	-	-	-	32,760	-	32,760	52,819
Marketing	-	-	9,265	9,265	-	-	9,265	25,175
Occupancy	89,283	9,920	-	99,203	34,356	-	133,559	122,009
Other expense	11,197	-	8,693	19,890	10,728	5,777	36,395	32,155
Purchased services	85,111	4,606	-	89,717	49,505	8,944	148,166	124,438
Postage and postal services	-	518	-	518	3,701	37,008	41,227	37,934
Premiums & promotional	-	-	1,911	1,911	-	18,482	20,393	39,180
Printing	3	-	585	588	3,119	14,562	18,269	21,783
Professional development	27,250	-	-	27,250	5,846	2,758	35,854	26,456
Programming and delivery fees	618,025	29,855	-	647,880	-	-	647,880	621,139
Special events	-	-	-	-	-	36,107	36,107	-
Supplies	19,108	15,076	4,051	38,235	5,893	782	44,910	57,880
Telephone	21,662	11,556	405	33,623	6,300	3,885	43,808	39,156
Tower rent & electricity	-	156,518	-	156,518	-	-	156,518	166,418
Travel & vehicle expense	15,888	8,066	697	24,651	1,970	140	26,761	22,101
Total functional expenses	$ 2,571,866	$ 480,622	$ 151,276	$ 3,203,764	$ 401,228	$ 764,509	$ 4,369,501	$ 3,931,061
	59%	*11%*	*3%*	*73%*	*9%*	*17%*	*100%*	

See accompanying notes to the financial statements.

Community Radio for Northern Colorado

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Community Radio for Northern Colorado (the "Organization" or "CRNC") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of financial statements.

Organization and Nature of Activities

CRNC is a non-profit, community-based corporation serving Colorado through its noncommercial network of radio station licenses and translator licenses. The Organization was incorporated on February 12, 2001.

CRNC's mission is to strengthen our community by cultivating the mind and spirit – informing, inspiring, and entertaining. CRNC strives to meet its mission by operating two public media services – KUNC, an NPR-affiliated news and information public radio station and The Colorado Sound, a locally hosted music discovery public radio station. In addition, CRNC has an active digital media presence for both of its content services.

CRNC's original station license is KUNC-FM, a 36,000-watt public radio station. The station began broadcasting January 1, 1967 as a 10-watt local station and was owned by the University of Northern Colorado. In 2001, the University of Northern Colorado announced its intentions to sell the station. The community of KUNC supporters raised the funds necessary for CRNC to purchase the station from the University of Northern Colorado, and thus ensure the station's survival as a northern Colorado public radio station.

KUNC blends nationally produced programming with stories from CRNC's regional news department to provide a mix of international, national, and regional news for its audience. CRNC's regional news department focuses on enterprise journalism and breaking news coverage. CRNC also produces, Colorado Edition - a daily audio news magazine focused on in-depth Colorado news and exploring life in the region.

In 2016, CRNC purchased the 50,000-watt radio station license KJAC-FM, and launched a non-commercial full-time music discovery station with a format that embraces a diverse range of music, including rock, blues, country, and singer-songwriter. The music station is branded as The Colorado Sound. A combination of capital reserves, major gifts, and financing was used for the purchase.

CRNC operates KUNC-FM (Greeley/Fort Collins), KJAC-FM (Timnath), KRNC-FM (Steamboat Springs), KENC-FM (Estes Park), KVNC-FM (Minturn/Vail), and KMPB-FM (Breckenridge) and 13 translators heard across northern Colorado by over 260,000 listeners. CRNC is professionally managed and operated, and is on the air 24 hours a day, 365 days a year.

Basis of Presentation

The Organization reports information on the accrual basis, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Regarding its financial position and activities, net assets are classified as follows:

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are not held for long-term purposes, to be cash and cash equivalents.

Underwriting and Other Receivables

Receivables consist primarily of noninterest-bearing amounts due for underwriting. These are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus, underwriting receivables do not bear interest. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At September 30, 2019 and 2018, the allowance was $5,000.

Investments

The Organization records investments at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statements of financial position.

Fair Value Measurements

Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value for all financial instruments required to be measured at fair value, into three broad levels as described below:

- *Level 1* - Quoted market prices in active markets for identical assets and liabilities;
- *Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data;
- *Level 3* - Unobservable inputs are used when little or no market data is available.

This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement.

Property and Equipment

Property and equipment purchases are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from 5 to 20 years. Property and equipment acquired with cost or value in excess of $1,000 is capitalized. Expenditures for maintenance, repairs, and minor replacements for lesser amounts are expensed.

Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. Management is not aware of any indications of impairment and therefore no impairment loss was recorded during the years ended September 30, 2019 or 2018.

Revenue Recognition

Grant funds which are restricted by the donor for reimbursement of specific 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.

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 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.

In-kind Contributions

Volunteers contribute time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received for the years ended September 30, 2019 and 2018.

Functional Allocation of Expenses

The costs of conducting the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function and reports certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and rent and utilities which have been allocated on a square footage basis, as well as salaries and related expenses and staff benefits which are allocated on the basis of estimates of time and effort.

Income Taxes and Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). Accordingly, no provision for income taxes is made for federal, state, or local taxes. In addition, the Internal Revenue Service ("IRS") has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the IRC.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. Management has determined no uncertain tax positions have been taken, and therefore, no

amount has been recognized as of September 30, 2019. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. The Organization is no longer subject to federal, state and local tax examinations by tax authorities for years before 2017.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and such differences could be material.

Credit Risk

The Organization manages deposit concentration risk by placing their temporary cash and cash equivalents with reputable financial institutions. At times, amounts on deposit may exceed federally insured limits. The Organization has never experienced any losses from this exposure.

Recently Issued Accounting Pronouncements

In May of 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Topic 606, Revenue from Contracts with Customers*. ASU 2014-09 for nonpublic entities should be applied for entities with an annual reporting period beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted beginning after December 15, 2016. Management is currently evaluating the impact of adoption of this standard on its financial statements.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. ASU 2018-08 will be effective for the Organization's fiscal year beginning after December 15, 2018.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. ASU 2016-02 will be effective for the Organization's fiscal year beginning after December 15, 2020.

2. CHANGE IN ACCOUNTING PRINCIPLE

As of October 1, 2018, the Organization adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the entity's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification, and the disclosure about liquidity and availability of resources. The separate presentation of expenses by functional classification and expenses by natural classification is still required. The Organization has elected not to present comparative information for these amendments. The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

As originally stated:		As restated:	
Unrestricted	$ 5,409,065	Without donor restrictions	$ 5,409,065
Temporarily restricted	233,256	With donor restrictions	378,931
Permanently restricted	145,675		
Total net assets	$ 5,787,996	Total net assets	$ 5,787,996

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position comprise the following:

Financial assets at year end:		
Cash and cash equivalents	$	1,718,832
Underwriting receivables, net		172,723
Other receivables		1,513
Investments		872,350
Total financial assets at year end		2,765,418
Less amounts not available to be used within one year		
Investments held in endowment		380,771
	$	2,384,647

As part of the liquidity management plans, the Organization expects cash flows from operations to continue to be sufficient to fund ongoing operating activities. The Organization has a $100,000 line of credit available to meet cash flow needs. In addition to financial assets available to meet general expenditures, the Organization operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures, outside of depreciation, not covered by donor-restricted resources.

The Organization has net assets designated by the Board of Directors for operating reserves of approximately $950,000. The Board of Directors has designated approximately $320,000 of net assets for future capital expansion, replacement, or major repairs.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial assets carried at fair value as described above are classified in the tables below for the year ended:

2019	Cost	Total	Level 1	Level 2	Level 3
Contingency Fund:					
Fixed income	**$ 26,495**	**$ 26,312**	**$ -**	**$ 26,312**	**$ -**
Money market funds	**4,804**	**4,804**	**4,804**	**-**	**-**
Bond funds	**123,493**	**123,592**	**123,592**	**-**	**-**
Equity funds	**277,036**	**336,871**	**336,871**	**-**	**-**
Total contingency fund	**431,828**	**491,579**	**465,267**	**26,312**	**-**
Endowment Fund					
Fixed income	**42,636**	**43,083**	**-**	**43,083**	**-**
Money market funds	**3,889**	**3,889**	**3,889**	**-**	**-**
Bond funds	**59,885**	**60,263**	**60,263**	**-**	**-**
Equity funds	**219,222**	**273,536**	**273,536**	**-**	**-**
Total endowment fund	**325,632**	**380,771**	**337,688**	**43,083**	**-**
Total investments	**$ 757,460**	**$ 872,350**	**$ 802,955**	**$ 69,395**	**$ -**

2018	Cost	Total	Level 1	Level 2	Level 3
Contingency Fund:					
Fixed income	$ 72,333	$ 71,633	$ -	$ 71,633	$ -
Money market funds	4,337	4,337	4,337	-	-
Bond funds	96,162	95,778	95,778	-	-
Equity funds	246,064	308,688	308,688	-	-
Total contingency fund	418,896	480,436	408,803	71,633	-
Endowment Fund					
Fixed income	64,351	63,709	-	63,709	-
Money market funds	3,538	3,538	3,538	-	-
Bond funds	47,246	47,350	47,350	-	-
Equity funds	201,024	264,334	264,334	-	-
Total endowment fund	316,159	378,931	315,222	63,709	-
Total investments	$ 735,055	$ 859,367	$ 724,025	$ 135,342	$ -

The table below summarizes the components of investment income, as reported in the statement of activities for the years ended September 30, 2019 and 2018:

	Without Donor Restriction		With Donor Restriction	
	2019	2018	**2019**	2018
Interest and dividend income	**$ 47,817**	$ 15,418	**$ 17,077**	$ 11,087
Net realized and unrealized gain (loss)	**(39,396)**	27,034	**(12,337)**	26,758
Investment fees	**(3,570)**	(3,372)	**(2,900)**	(2,820)
Net investment income	**$ 4,851**	$ 39,080	**$ 1,840**	$ 35,025

5. ENDOWMENT

The Organization's endowment consists of the endowment fund investments mentioned in Note 4, *Investments and Fair Value Measurements.* As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which governs the investment and management of donor-restricted endowment funds by not-for-profit organizations. In 2008, the state of Colorado enacted UPMIFA, and the Financial Accounting Standards Board issued guidance on the net asset classification of donor- restricted endowment funds that are subject to UPMIFA, as well as additional disclosure requirements for donor-restricted endowments.

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of the initial and subsequent gift amounts (including promises to give net of discounts and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts net retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

The endowment funds may be invested in high quality, publicly traded common and preferred stocks, convertible bonds, bank common funds, mutual funds, fixed income securities and other assets as authorized by the Board of Directors of CRNC from time to time. The nature of the assets involved and the long-term objectives of CRNC suggest utilizing a total return approach to investment management.

The CRNC endowment seeks preservation of principal and to provide a dependable and reasonable rate of long-term investment return consistent with moderate investment risk. The primary investment objective of the endowment is to achieve a total annual return measured on a three-year moving average basis, at least equal to the rate of inflation plus five percent (5%).

CRNC has a policy of appropriating for distribution each year up to 4% of the average of the corpus of the endowment's market value on June 30th for each of the five immediately preceding years, as approved by the CRNC Board of Directors, in accordance with the endowment mission and purpose. In the year ended September 30, 2019 and 2018, the Board of Directors did not appropriate this distribution. If distribution of the appropriated earnings would cause the CRNC value to fall below the corpus, then the annual spending allocation amount is limited to the amount in excess of the corpus.

Following are the changes in endowment net assets for the years ended September 30, 2019 and 2018:

	With Donor Restrictions		
	Unappropriated Earnings	**To be held in perpetuity**	**Total**
Endowment net assets, October 1, 2017	$ 198,231	$ 145,675	$ 343,906
Investment earnings, net	35,025	-	35,025
Contributions	-	-	-
Distributions	-	-	-
Endowment net assets, September 30, 2018	$ 233,256	$ 145,675	$ 378,931
Investment earnings, net	**1,840**	**-**	**1,840**
Contributions	**-**	**-**	**-**
Distributions	**-**	**-**	**-**
Endowment net assets, September 30, 2019	**$ 235,096**	**$ 145,675**	**$ 380,771**

6. INTANGIBLE ASSETS

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.

On December 7, 2015, CRNC reached an agreement to purchase the radio station license for KJAC-FM and its related assets, for $3,000,000. On April 5, 2016, the purchase was finalized with closing costs of $120,000. The seller transferred all licenses issued by the FCC for the operation of KJAC-FM to CRNC as well as all other related assets.

The FCC licenses, including those subsequently purchased, are considered to have an indefinite life and therefore are not amortized. The primary licenses expire in April 2021 and can be renewed. The useful life of licenses 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.

Management has performed a qualitative assessment and determined that it is unlikely that intangible assets are impaired.

7. NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

September 30,		**2019**		2018
Endowments:				
Endowment to be held in perpetuity	**$**	**145,675**	$	145,675
Unappropriated endowment funds		**235,096**		233,256
Total net assets with donor restrictions	**$**	**380,771**	$	378,931

8. LEASE OBLIGATIONS

CRNC leases office space maturing in 2026 and transmitter towers maturing between 2018 through 2027. In July 2017, CRNC modified their office lease to include additional space. Future minimum payments by year under non-cancellable operating leases consist of the following at September 30, 2019:

Year Ending September 30,		
2020	$	199,685
2021		202,483
2022		194,179
2023		189,168
2024		179,084
Thereafter		290,006
Total	$	1,254,605

9. LINE OF CREDIT

CRNC maintains a line of credit agreement with a bank for $100,000. The variable interest rate equals the Prime Rate as published by The Wall Street Journal, or 5.00% at September 30, 2019. There was no balance on the line at September 30, 2019 or during the year ended September 30, 2019 and the line is set to expire in October 2020.

10. LONG TERM DEBT

The Organization entered into a note payable to Community Banks of Colorado in the amount of $800,000 dated October 2017, with monthly installments of $11,285 including interest at 4.87%, final payment due October 2024, collateralized by KJAC-FM assets.

Year Ending September 30,		
2020	$	107,763
2021		113,284
2022		119,006
2023		125,017
2024		131,319
2025		11,240
Total	$	607,629

11. 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 6% of the employee's annual salary. CRNC contributions for the years ended September 30, 2019 and 2018 were $94,791 and $80,517, respectively.

12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 2, 2020, which is the date these financial statements were available to be issued. There are no subsequent events that require additional disclosure in these financial statements.