

**BOULDER COMMUNITY BROADCAST
ASSOCIATION, INC.
KGNU**

FINANCIAL STATEMENTS

for the year ended September 30, 2009 and 2008

Table of Contents

Independent Auditor's Report	2
Balance Sheet.....	3 - 4
Statement of Financial Activity	5
Statement of Cash Flows	6
Statement of Functional Expenses.....	7
Notes to Financial Statements	8 – 11

Arrone Appel, CPA, LLC

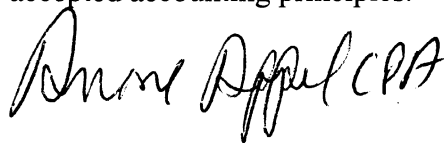
Board of Directors
Boulder Community Broadcast Association, Inc.

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying Balance Sheet of Boulder Community Broadcast Association, Inc. as of September 30, 2009 and 2008, and the related statements of Financial Activity, Cash Flows, and Functional Expenses for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boulder Community Broadcast Association, Inc. as of September 30, 2009 and 2008, and the results of its operations and its cash flows for the periods then ended in conformity with generally accepted accounting principles.



Arrone Appel, CPA

February 15, 2010
Boulder, Colorado

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC
BALANCE SHEET
September 30, 2009 and 2008
See Independent Auditor's Report

ASSETS

	2009		2008
CURRENT ASSETS			
Cash and Equivalents	\$ 181,148		\$ 263,032
Accounts Receivable	15,096		150
Prepaid Expenses	14,559		13,387
TOTAL CURRENT ASSETS	\$ 210,803		\$ 276,569
FIXED ASSETS			
Building	1,126,504		1,126,504
Equipment and Furniture	940,638		894,718
	<u>2,067,142</u>		<u>2,021,222</u>
Less: Accumulated Depreciation	1,041,002		(982,000)
NET FIXED ASSETS	1,026,140		1,039,222
INTANGIBLE ASSETS			
AM Signal	4,100,000		4,100,000
Less: Accumulated Amortization	1,366,665		(1,093,332)
	<u>2,733,335</u>		<u>3,006,668</u>
Land	350,000		350,000
	<u>350,000</u>		<u>350,000</u>
TOTAL ASSETS	\$ <u>4,320,278</u>		\$ <u>4,672,459</u>

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC
BALANCE SHEET

September 30, 2009 and 2008
 See Independent Auditor's Report

	<u>LIABILITIES</u>	
	2009	2008
CURRENT LIABILITIES		
Accounts Payable	\$ 116,284	\$ 37,048
Prepaid Memberships	165,454	174,267
Taxes Payable	4,243	4,289
Current Portion of Long Term Debt	22,138	22,138
Note Payable Mortgage	-	100,000
TOTAL CURRENT LIABILITIES	\$ 308,119	\$ 337,742
 LONG TERM DEBT		
Mortgages & Notes Payable (Note 6)	2,826,176	2,912,016
Less: Current Portion	(22,138)	(22,138)
	2,804,038	2,889,878
 FUND BALANCES		
Unrestricted	1,208,121	1,444,839
TOTAL FUND BALANCE	1,208,121	1,444,839
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,320,278	\$ 4,672,459

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
STATEMENT OF FINANCIAL ACTIVITY
for the year ended
September 30, 2009 and 2008
See Independent Auditor's Report

<u>UNRESTRICTED NET ASSETS</u>	2009	2008	
<u>Support and Revenue</u>			
Memberships	\$ 437,333	\$ 422,041	
Underwriting	40,215	47,232	
Capital Campaign	119,156	90,372	
Auctions, Benefits, and Events	39,090	117,516	
Federal Government Grants	94,492	140,367	
Other Grants	31,238	6,642	
Program Guide	(7,920)	4,501	
Interest and Dividends	670	2,503	
Miscellaneous	15,911	3,795	
Total Cash Support	\$ 770,185	\$ 834,969	
In Kind Support			
Goods and Services	55,625	62,944	
Total Support and Revenue (Unrestricted)	825,810	897,913	
<u>Expenses</u>			
Programming and Production	239,047	238,357	
Broadcasting	503,957	435,110	
Program Information	5,571	13,754	
Total Program Expenses	748,575	687,221	
Support Services			
Fundraising and Memberships	128,494	137,892	
Underwriting and Grants	58,253	56,987	
Management and General	127,206	168,873	
Total Support Services	313,953	363,752	
Total Expenses	1,062,528	1,050,973	
(DECREASE) IN UNRESTRICTED NET ASSETS	(236,718)	(153,060)	
NET ASSETS AT BEGINNING OF YEAR	1,444,839	1,597,899	
NET ASSETS AT END OF YEAR	\$ 1,208,121	\$1,444,839	

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
for the year ended
September 30, 2009 and 2008
See Independent Auditor's Report

	2009	2008
Net Cash provided (used) by operating activities	\$ (236,718)	\$ (153,060)
Excess (Deficit) of Support over Expenses		
Adjustment to reconcile operating activities to cash:		
Depreciation and Amortization	332,335	313,845
Changes in operating assets and liabilities:		
Decrease (Increase) in Assets:		
Accounts Receivable	(14,946)	25,164
Prepaid Expenses	(1,172)	254
Escrow & Other		31,596
Increase (Decrease) in Liabilities:		
Accounts Payable	79,236	14,802
Prepaid Memberships	(8,813)	65,738
Payroll Taxes Payable	(46)	(164)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 149,876	\$ 298,175
Net cash provided (used) by investing activities:		
Purchase of Equipment and Furniture	\$ (45,920)	\$ (86,178)
Mortgage for Land and Building	\$ (185,840)	\$ (117,441)
INCREASE (DECREASE) IN CASH	\$ (81,884)	\$ 94,556
Cash at beginning of period, October 1, 2008	\$ 263,032	\$ 168,476
Cash at September 30, 2009	\$ 181,148	\$ 263,032

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST - KGNU

Profit & Loss

October 2008 through September 2009

	Oct '08 - Sep 09	DEPT 1 Programming & Production	DEPT 2 Broadcast	DEPT 3 Program Information	DEPT 4 Management & General	DEPT 5 Fundraising & Membership	DEPT 6 Underwriting & Grants
Ordinary Income/Expense							
Expense							
Amortization	273,333.00		273,333.00				
Bank Charges	6,955.60				1,480.91	5,474.69	
Depreciation	59,002.00	16,454.00	21,745.00	2,677.00	11,317.00	3,550.00	3,259.00
Dues & Subscriptions	6,747.18	5,280.20			667.01	799.97	
Employee Benefits	55,273.89	24,523.18			7,803.49	14,956.68	7,990.54
Employee Bonus	2,000.00	750.00			250.00	750.00	250.00
Employee Retirement	1,200.00	600.00					600.00
Employee Search	50.00				50.00		
Fund Drive & Premium	4,076.24					4,076.24	
Fundraising Materials	74.58					74.58	
Hospitality	740.60				457.71	282.89	
Insurance	14,108.21		7,899.10		6,209.11		
Interest Expense	3,021.00		3,021.00				
Internet	6,383.81		6,383.81				
Janitorial	3,798.00		2,658.60		1,139.40		
Labor	3,203.00	2,783.00			420.00		
Mortgage Interest	28,216.38	39.30	28,216.38				
Office	13,114.73				9,267.72	3,807.71	
Outreach/Promotion	2,894.02			2,894.02			
Postage	7,458.36	19.90	59.40		3,681.68	3,697.38	
Production Supplies	3,639.45	3,639.45					
Professional Fees	119,143.46	2,713.71	80,869.75		31,025.00	4,535.00	
Program Acquisition	36,177.67	36,177.67					
Rent - AM Tower	30,000.00		30,000.00				
Rent - FM Tower	11,042.23		11,042.23				
Repairs & Maintenance	4,940.29	516.04	3,436.20		412.83	172.01	103.21
FM Salaries	266,620.84	123,900.00			40,500.00	60,750.00	41,470.84
AM Salaries	20,250.00	3,375.00				16,875.00	
Satellite Interconnect	7,100.00		7,100.00				
Storage	1,722.00				1,722.00		
Taxes - Other	1,631.08				1,631.08		
Taxes - Payroll	22,676.95	10,061.00			3,201.50	6,136.20	3,278.25
Telephone	25,700.41	3,855.06	16,705.26		3,084.05	1,285.02	771.02
Travel & Conferences	2,861.82	1,709.14			765.68	387.00	
Utilities	17,672.08	2,650.81	11,486.85		2,120.65	883.60	530.17
Total Expense	1,062,528.88	239,047.46	503,956.58	5,571.02	127,206.82	128,493.97	58,253.03

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2009 and 2008

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Boulder Community Broadcast Association, Inc., (the “Organization”) have been prepared on the accrual basis. The significant accounting policies followed are described below.

Organization

Boulder Community Broadcast Association, Inc. is a nonprofit Colorado Corporation which operates a noncommercial public radio station (KGNU-FM) in Boulder, Colorado and 1390 AM in Denver Colorado.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Fund Accounting

The assets, liabilities and fund balances of the Organization are reported in the one self-balancing Operating Fund, which includes unrestricted and restricted resources that are available for the support of the Organizations operations.

Endowment Funds

During 1993 and 1994 the Organization received several donations totaling \$309,370 which were used to create an endowment fund for the purpose of purchasing a building. On September 30, 2000 the organization purchased a building with these funds. Additionally, \$30,000 was contributed by the seller as a price reduction. This building now houses KGNU.

Revenue Recognition

Contributions, pledges, and grants that are unrestricted are recorded as revenue in the statement of activity when received.

Contributions for acquisition of property and equipment

Contributions restricted for the acquisition of property and equipment or other capital improvements are recorded on the accompanying balance sheet as deferred support for capital improvements until the funds are expended. At such time the applicable amounts are included as capital additions in the statement of financial activity.

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS Continued
September 30, 2009 and 2008

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Under SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Restrictions on Net Assets

Unrestricted net assets can generally be used in a manner to report the Organization's purpose and general activities.

Temporarily restricted assets consist of contributions and other inflows which have donor-imposed stipulations limiting their use. These restrictions expire with either the passage of time or by actions of the Organization.

Permanently restricted assets consist of endowment funds received from donors to be held indefinitely. The income from these assets is to be used in a manner designated by the donors.

Note 2 – Property and Equipment

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from five to twenty years. Depreciation for 2009 and 2008 was \$55,612 and \$40,512, respectively. Costs of repairs and maintenance are charged to operating expenses as they are incurred.

Note 3 – Intangible Assets

In 2004, the organization purchased AM signal 1390 in Denver Colorado. Amortization is calculated on this asset over 15 years using the straight line method. Amortization for 2009 and 2008 is \$273,333 and \$273,333, respectively.

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS Continued
September 30, 2009 and 2008

Pledges

Pledges are not recorded until received. Memberships, when received, are recorded as prepaid memberships and recognized as income over the following twelve months.

Donated Personal Services of Volunteers

Donated personal services of volunteers are recorded as revenue and expense in the accompanying statement of financial activity at estimated fair market value. The expenses and income for the current year were for legal, accounting, architectural design and computer services donated by various individuals. Donated services totaled \$55,625 and \$62,944 for periods ended September 30, 2009 and 2008 respectively, and were recorded as in-kind contributions in the statement of financial activity.

Note 4 – INCOME TAXES

The Organization is exempt from Federal Income Taxes under Section 501(c)(3) of the Unread States Internal Revenue Code. The Organization is also exempt from the State of Colorado Income Taxes.

Note 5 – LAND AND BUILDINGS

On September 30, 2000 the organization purchased land and a building which is the home of the organization. Depreciation is calculated by the straight-line method over the estimated useful life of thirty-nine years. The organization moved into the building in 2001.

Note 6 – LONG TERM DEBT

A. Mortgage Payable Bank

As of September 30, 2009 and 2008, the organization has a mortgage payable to The Bank of Denver, in the amount of \$413,176 and \$429,016 respectively. This mortgage is secured by the building which houses the organization. This note is amortized over 25 years at an interest rate of 7.25%. The monthly payment is \$3,760.74.

B. Mortgage Payable Individuals and Institutions

The organization borrowed money from individuals and institutions that are non interest bearing with no immediate payment terms.

The parties agreed to contribute the money to the organization in order for the organization to pay off banks and save interest on the original notes for the purchase of the 1390 AM signal.

Presently, the only required payment is \$10,000 per year in principal and \$526 in interest to one individual. The other balances and payments are negotiated yearly.

\$2,125,000 of this note is secured by the 1390 AM signal. The balances as of September 30, 2009 and 2008 are \$2,826,176 and \$2,912,016 respectively.

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS Continued
September 30, 2009 and 2008

Note 7 – SUBSEQUENT EVENTS AND COMMITMENTS

Subsequent to the fiscal year end of September 30, 2004, the company entered into an asset purchase agreement to purchase the FCC authorizations, tangible assets, assumed contracts, and records of commercial radio station KJME (AM) 1390 KHZ, Denver, CO. The total purchase price was \$4,100,000.