

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

FINANCIAL STATEMENTS

for the year ended September 30, 2008 and 2007

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Arrone Appel, CPA, LLC

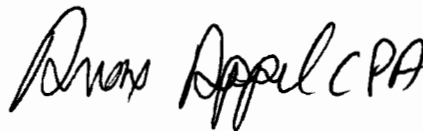
Board of Directors
Boulder Community Broadcast Association, Inc.

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying Balance Sheet of Boulder Community Broadcast Association, Inc. as of September 30, 2008 and 2007, 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, 2008 and 2007, 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 25, 2009
Boulder, Colorado

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC
BALANCE SHEET
September 30, 2008 and 2007
See Independent Auditor's Report

		<u>ASSETS</u>	
		2008	2007
CURRENT ASSETS			
Cash and Equivalents	\$	263,032	\$ 168,476
Accounts Receivable		150	25,314
Prepaid Expenses		13,387	13,641
Escrow		-	11,622
TOTAL CURRENT ASSETS		<u>\$ 276,569</u>	<u>\$ 219,053</u>
FIXED ASSETS			
Building		1,126,504	1,126,504
Equipment and Furniture		894,718	808,540
		<u>2,021,222</u>	<u>1,935,044</u>
Less: Accumulated Depreciation		(982,000)	(941,488)
NET FIXED ASSETS		1,039,222	993,556
INTANGIBLE ASSETS			
AM Signal		4,100,000	4,100,000
Less: Accumulated Amortization		(1,093,332)	(819,999)
		3,006,668	3,280,001
Land		350,000	350,000
OTHER ASSETS			19,974
TOTAL ASSETS		<u><u>\$ 4,672,459</u></u>	<u><u>\$ 4,842,610</u></u>

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC
BALANCE SHEET
September 30, 2008 and 2007
See Independent Auditor's Report

	<u>LIABILITIES</u>	
	2008	2007
CURRENT LIABILITIES		
Accounts Payable	\$ 37,048	\$ 22,246
Prepaid Memberships	174,267	108,529
Taxes Payable	4,289	4,453
Current Portion of Long Term Debt	12,138	12,138
Note Payable Mortgage (Note 6)	<u>100,000</u>	<u>100,000</u>
TOTAL CURRENT LIABILITIES	\$ 327,742	\$ 247,366
OTHER LIABILITIES		
Deferred Income (Note 7)	<u> </u>	<u> </u>
TOTAL OTHER LIABILITIES		
LONG TERM DEBT		
Mortgage payable (Note 6)	2,912,016	3,029,457
Less: Current Portion	<u>(12,138)</u>	<u>(12,138)</u>
	2,899,878	3,017,319
FUND BALANCES		
Unrestricted	<u>1,444,839</u>	<u>1,597,899</u>
TOTAL FUND BALANCE	<u>1,444,839</u>	<u>1,597,899</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$4,672,459</u></u>	<u><u>\$ 4,862,584</u></u>

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
STATEMENT OF FINANCIAL ACTIVITY
for the year ended
September 30, 2008 and 2007
See Independent Auditor's Report

<u>UNRESTRICTED NET ASSETS</u>	2008	2007
<u>Support and Revenue</u>		
Memberships	\$ 422,041	\$ 421,117
Underwriting	47,232	37,146
Capital Campaign	90,372	113,260
Auctions, Benefits, and Events	117,516	54,147
Federal Government Grants	140,367	145,060
Other Grants	6,642	4,595
Program Guide	4,501	162
Interest and Dividends	2,503	4,886
Miscellaneous	3,795	6,660
Total Cash Support	\$ 834,969	\$ 787,033
In Kind Support		
Goods and Services	62,944	39,970
Total Support and Revenue (Unrestricted)	897,913	827,003
<u>Expenses</u>		
Programming and Production	238,357	209,985
Broadcasting	435,110	435,002
Program Information	13,754	9,943
Total Program Expenses	687,221	654,930
Support Services		
Fundraising and Memberships	137,892	223,165
Underwriting and Grants	56,987	56,800
Management and General	168,873	149,565
Total Support Services	363,752	429,530
Total Expenses	1,050,973	1,084,460
(DECREASE) IN UNRESTRICTED NET ASSETS	(153,060)	(257,457)
NET ASSETS AT BEGINNING OF YEAR	1,597,899	1,855,356
NET ASSETS AT END OF YEAR	\$ 1,444,839	\$ 1,597,899

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

for the year ended

September 30, 2008 and 2007

See Independent Auditor's Report

	2008	2007
Net Cash provided (used) by operating activities	\$ (153,060)	\$ (257,457)
Excess (Deficit) of Support over Expenses		
Adjustment to reconcile operating activities to cash:		
Depreciation and Amortization	313,845	322,779
Changes in operating assets and liabilities:		
Decrease (Increase) in Assets:		
Accounts Receivable	25,164	(21,112)
Prepaid Expenses	254	(816)
Escrow & Other	31,596	(17,801)
Increase (Decrease) in Liabilities:		
Accounts Payable	14,802	(10,416)
Prepaid Memberships	65,738	(19,057)
Payroll Taxes Payable	(164)	199
Deferred Income		(6,875)
Security Deposits		(4,250)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 298,175	\$ (14,806)
Net cash provided (used) by investing activities:		
Purchase of Equipment and Furniture	\$ (86,178)	\$ (52,278)
Mortgage for Land and Building	\$ (117,441)	\$ (22,164)
INCREASE (DECREASE) IN CASH	\$ 94,556	\$ (89,248)
Cash at beginning of period, October 1, 2007	<u>\$ 168,476</u>	<u>\$ 257,724</u>
Cash at September 30, 2008	<u>\$ 263,032</u>	<u>\$ 168,476</u>

See accompanying notes to financial statements

BOULDER COMMUNITY BROADCAST - KGNU

Profit & Loss

October 2007 through September 2008

	DEPT 1	DEPT 2	DEPT 3	DEPT 4	DEPT 5	DEPT 6
	Programming & Production	Broadcast	Program Information	Management & General	Fundraising & Membership	Underwriting & Grants
Ordinary Income/Expense						
Expense						
Amortization	273,333.00	273,333				273,333
Bank Charges	10,862.97			1756.94	9106.03	10862.97
Depreciation	40,512.00	13491.00	2026.00	8913.00	4457.00	40512.00
Dues & Subscriptions	9,976.78			430.35	597.97	9976.78
Employee Benefits	62,068.84			13317.87	17137.17	8878.44
Employee Bonus	3,750.00			500.00	1250.00	3750.00
Employee Retirement	1,200.00				600.00	1200.00
Employee Search	719.46			719.46		719.46
Fund Drive & Premium	4,788.66				4788.66	4788.66
Fundraising Materials	154.99				154.99	154.99
Hospitality	2,444.98			1037.43	1252.93	2444.98
Insurance	11,590.39	6681.04		4909.35		11590.39
Interest Expense	3,521.00	3521.00				3521.00
Internet	3,678.68	3678.68				3678.68
Janitorial	4,395.00	3076.50		1318.50		4395.00
Labor	2,385.50	777.50			1608.00	2385.50
Legal & Professional	118,301.67	30142.30		46400.00	3045.00	118301.67
Mortgage Interest - 1st	17,928.83	12550.18		5378.65		17928.83
Mortgage Interest - 2nd	11,731.83	11731.83				11731.83
Office	14,563.44		177.16	6910.34	7174.17	14563.44
Outreach/Promotion	11,550.89		11550.89			11550.89
Postage	6,806.08	136.59		3824.13	2744.81	6806.08
Production Supplies	3,323.48					3323.48
Program Acquisition	35,374.97					35374.97
Rent - AM Tower	30,000.00	30000.00				30000.00
Rent - FM Tower	9,545.47	9545.47				9545.47
Repairs & Maintenance	6,078.01	4081.29		677.13	303.90	6078.01
FM Salaries	259,973.96			59250.24	60073.16	259973.96
AM Salaries	16,170.00				16170.00	16170.00
Satellite Interconnect	6,900.00	6900.00				6900.00
Storage	1,802.00			1802.00		1802.00
Taxes - Other	1,346.97			1346.97		1346.97
Taxes - Payroll	21,765.97			4670.17	6009.57	3113.44
Telephone	25,834.93	16792.70		3100.19	1291.75	25834.93
Travel & Conferences	2,055.93			866.63		2055.93
Utilities	14,535.00	9447.75		1744.20	726.75	14535.00
	1,050,972.68	435110.33	13754.05	168873.35	137891.86	1050972.68

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

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, 2008 and 2007

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 2008 and 2007 was \$40,512 and \$49,446, 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 2008 and 2007 is \$273,333 and \$273,333, respectively.

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS Continued
September 30, 2008 and 2007

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 \$62,944 and \$37,835 for periods ended September 30, 2008 and 2007 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 – MORTGAGE PAYABLE LONG TERM
MORTGAGE PAYABLE SHORT TERM

The original mortgage payable to a bank is in the amount of \$510,000 amortized over 25 years at an interest rate of 8.75%. As of September 30, 2008 and 2007 the mortgage balance is \$229,016 and \$239,457, respectively. The monthly payments are \$3,760.74. The mortgage is secured by the building.

As of September 30, 2008 the additional long term debt is as follows:

- A. \$2,483,000 private non interest bearing notes with no payment due until 2008, payable to individuals
- B. \$100,000 payable due to an individual, amortized over 10 years at 6% interest payable at \$10,521 per year.
- C. \$200,000 interest only note, payable to a bank at 7 ¼%, due December 31, 2007. The agreement with the bank states that the terms of the loan are negotiable after the two year period ending

BOULDER COMMUNITY BROADCAST ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS Continued
September 30, 2008 and 2007

Note 6 - Continued

December 31, 2007. \$100,000 of this note is classified as short term debt.

During the current Fiscal year, private parties agreed to contribute money to the organization in the form of non interest bearing notes in order for the company to pay off and save interest on the original notes for the purchase of the 1390 AM signal

Note 7 – DEFERRED INCOME

Represents income not yet earned on various projects.

Note 8 – 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.