

**PUBLIC RADIO FOR THE FRONT RANGE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2014 and 2013**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Public Radio for the Front Range

We have audited the accompanying financial statements of Public Radio for the Front Range (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 Public Radio for the Front Range as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Financial Position
As of December 31, 2014 and 2013

ASSETS

December 31

2014 **2013**

Current Assets

Cash	\$ 77,957	82,072
Accounts Receivable	6,289	9,362
Pledges Receivable	3,986	9,305
Unconditional Promises to Give	21,694	24,327
Prepaid Expenses	465	407
Total Current Assets	<u>110,391</u>	<u>125,473</u>

Property and Equipment

Equipment	144,362	139,546
Furniture and Fixtures	7,950	7,950
Leasehold Improvements	6,353	6,353
Music Library	14,297	14,297
Total Property and Equipment	<u>172,962</u>	<u>168,146</u>
Less Accumulated Depreciation	<u>(164,802)</u>	<u>(162,599)</u>
	8,160	5,547

Intangible Assets

Website	5,000	5,000
Amortization	(5,000)	(5,000)
License	25,000	25,000
Total Intangible Assets	<u>25,000</u>	<u>25,000</u>

Total Assets

\$ 143,551 **156,020**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 2,933	2,647
Accrued Payroll Liabilities	2,907	2,566
Accrued Vacation Payable	9,287	7,554
Note Payable	965	6,553
Total Liabilities	<u>16,092</u>	<u>19,320</u>

Net Assets

Unrestricted	95,490	93,706
Temporarily Restricted Net Assets	<u>31,969</u>	<u>42,994</u>
Total Net Assets	<u>127,459</u>	<u>136,700</u>

Total Liabilities and Net Assets

\$ 143,551 **156,020**

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>			
Federal Income			
Corporation for Public Broadcasting	\$ 50,619	21,694	72,313
Public Support (Non Federal Support)			
Membership	64,161	3,986	68,147
Underwriting	29,816		29,816
Grants and Contributions	61,214		61,214
Special Events	20,303	6,289	26,592
In-Kind Underwriting	96,650		96,650
In-Kind Essential Volunteers	303,241		303,241
Net Assets Released from Restrictions			
Expiration of Time Restriction	42,994	(42,994)	-
	<u>668,998</u>	<u>(11,025)</u>	<u>657,973</u>
Total Revenue and Support			
 <u>Expenses</u>			
Program Services	561,898		561,898
Supporting Services			
Management and General	38,894		38,894
Fundraising	66,422		66,422
	<u>667,214</u>	<u>-</u>	<u>667,214</u>
Increase in Net Assets	1,784	(11,025)	(9,241)
Net Assets at Beginning of Year	<u>93,706</u>	<u>42,994</u>	<u>136,700</u>
Net Assets at End of Year	<u>\$ 95,490</u>	<u>31,969</u>	<u>127,459</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Activities

Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>			
Federal Income			
Corporation for Public Broadcasting	\$ 47,986	24,327	72,313
Public Support (Non Federal Support)			
Membership	59,707	9,305	69,012
Underwriting	9,774	-	9,774
Grants and Contributions	59,183	-	59,183
Special Events	28,977	9,362	38,339
In-Kind Underwriting	93,869	-	93,869
In-Kind Essential Volunteers	310,217	-	310,217
Net Assets Released from Restrictions			
Expiration of Time Restriction	36,207	(36,207)	-
Total Revenue and Support	645,920	6,787	652,707
 <u>Expenses</u>			
Program Services	528,163	-	528,163
Supporting Services:			
Management and General	29,812	-	29,812
Fundraising	45,901	-	45,901
	<u>603,876</u>	<u>-</u>	<u>603,876</u>
Increase (Decrease) in Net Assets	42,044	6,787	48,831
Net Assets at Beginning of Year	<u>51,662</u>	<u>36,207</u>	<u>87,869</u>
Net Assets at End of Year	<u>\$ 93,706</u>	<u>42,994</u>	<u>136,700</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Functional Expenses

Year Ended December 31, 2014

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation & Related Expenses				
Salaries	\$ 83,029	23,722	11,861	118,612
Payroll Taxes	8,857	2,530	1,265	12,652
	<u>91,886</u>	<u>26,252</u>	<u>13,126</u>	<u>131,264</u>
Accounting Fees	11,228	1,536	1,536	14,300
Advertising	450	674	784	1,908
Contract Labor	15,476	2,117	2,117	19,710
Depreciation	1,730	237	237	2,204
Dues and Subscriptions	2,455			2,455
Equipment	1,174			1,174
Food	1,357	186	186	1,729
Fundraising Expense			40,544	40,544
In-kind - Underwriting	96,650			96,650
In-kind - Programming	270,761			270,761
In-kind - Technical	7,276			7,276
Interest	309	42	42	393
Insurance	5,293	724	724	6,741
IT Computer Support	4,792	655	655	6,102
Occupancy	31,876	4,360	4,360	40,596
Postage and Shipping	1,374	188	188	1,750
Printing and Publications	2,638	361	361	3,360
Professional Fees	1,761			1,761
Subscriptions	665			665
Supplies	6,506	890	890	8,286
Telephone	4,915	672	672	6,259
Travel	1,326			1,326
	<u>\$ 561,898</u>	<u>38,894</u>	<u>66,422</u>	<u>667,214</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Functional Expenses

Year Ended December 31, 2013

	Program Services	Management and General	Supporting Services Fundraising	Total
Compensation & Related Expenses				
Salaries	\$ 62,614	17,890	8,944	89,448
Payroll Taxes	5,350	1,529	764	7,643
	<u>67,964</u>	<u>19,419</u>	<u>9,708</u>	<u>97,091</u>
Accounting Fees	10,006	1,368	1,368	12,742
Advertising	267	398	464	1,129
Depreciation	1,722	236	236	2,194
Dues and Subscriptions	1,795			1,795
Equipment Rental	1,616			1,616
Fundraising Expense			25,734	25,734
In-kind - Underwriting	93,869			93,869
In-kind - Programming	282,247			282,247
In-kind - Technical	4,824			4,824
Interest	602	82	82	766
Insurance	4,668	638	638	5,944
IT Computer Support	16,067	2,198	2,198	20,463
Occupancy	29,700	4,062	4,062	37,824
Postage and Shipping	1,822	249	249	2,320
Printing and Publications	840	115	115	1,070
Professional Fees	2,102			2,102
Subscriptions	395			395
Supplies	3,498	478	478	4,454
Telephone	4,159	569	569	5,297
	<u>\$ 528,163</u>	<u>29,812</u>	<u>45,901</u>	<u>603,876</u>

PUBLIC RADIO FOR THE FRONT RANGE

Statement of Cash Flows

Years Ended December 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Contributions and Grants	\$ 195,641	174,112
Cash Received from Service Requests	73,466	67,721
Cash Paid to Employees	<u>(262,818)</u>	<u>(196,165)</u>
Net Cash Provided by Operating Activities	6,289	45,668
<u>Cash Flows Used from Investing Activities</u>		
Purchase of Equipment	<u>(4,816)</u>	-
Net Cash Provided by Financing	(4,816)	-
<u>Cash Flows Provided (Used) from Financing Activities</u>		
Payments on Note Payable	(5,588)	(4,689)
Payments/Repayments on Line of Credit	-	-
Proceeds from Line of Credit	-	-
Net Cash Provided by Financing	<u>(5,588)</u>	<u>(4,689)</u>
Net Increase (Decrease) in Cash	(4,115)	40,979
Cash at Beginning of Year	82,072	41,093
Cash at End of Year	<u>\$ 77,957</u>	<u>82,072</u>

<u>Cash Flows from Operating Activities</u>		
Increase in Net Assets	\$ (9,241)	48,831
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,204	2,194
(Increase) Decrease in Operating Assets:		
Unconditional Promises to Give	2,633	(480)
Other Receivable	8,392	(6,308)
Prepaid Expenses	(58)	(57)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	286	(320)
Accrued Payroll Liabilities	1,733	(660)
Accrued Vacation Payable	340	2,468
CPB Grant Payable	-	-
Net Cash Provided by Operating Activities	<u>\$ 6,289</u>	<u>45,668</u>

Supplemental Disclosures

Interest Paid	<u>\$ 393</u>	<u>766</u>
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PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements

Year Ended December 31, 2014

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Public Radio for the Front Range (KRFC) is a nonprofit organization incorporated in 1995. KRFC went on the air March 1, 2003 to make great radio that is local, non-commercial, and volunteer powered.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Basis of Accounting

The financial statements of KRFC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements

Year Ended December 31, 2014

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. All expenditures for fixed assets in excess of \$250 are capitalized.

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.

Income Taxes

Public Radio for the Front Range is exempt from federal income taxation under the provisions of Internal Revenue Code Section 501(c)(3), and is thereby also exempt from Colorado income taxation. The Internal Revenue Service has classified the organization as "not a private foundation".

Tax penalties and interest, if any, would be classified with income tax expenses in the financial statements. No tax penalties or interest have been incurred or are recognized in the financial statements. Generally, three tax years remain subject to examination by tax jurisdictions.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. Such reclassifications had no impact on previously reported changes in net assets.

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements

Year Ended December 31, 2014

Note 2 - Line of Credit

KRFC has a revolving line of credit agreement with Home State Bank. There were no advances of on the line of credit as of December 31, 2014 and 2013. This loan bears a variable interest rate and is secured by substantially all assets of the organization.

Note 3 - Notes Payable

	<u>2014</u>	<u>2013</u>
Note payable bearing 6% interest, due in monthly installments of \$326. The note matures in February 2015 and is collateralized by equipment.	\$ <u>965</u>	<u>6,553</u>
	<u>965</u>	<u>6,553</u>
Less current portion	<u>965</u>	
	<u>\$ 0</u>	

The future scheduled maturities of long-term debt based on the current terms of the notes are as follows:

<u>Years Ending</u>	<u>Annual</u> <u>Amounts</u>
2015	\$ <u>965</u>
	<u>\$ 965</u>

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements

Year Ended December 31, 2014

Note 4 - In-Kind and Non-Cash Contributions

Various groups, organizations, and individuals contributed time, service and items to KRFC. Those contributions that have been recorded are as follows:

Services:	<u>2014</u>	<u>2013</u>
Programming	\$ 270,761	282,247
Technical	7,276	4,824
Non-Cash Contributions:		
Rent	23,147	23,147
Underwriting	<u>96,650</u>	<u>93,869</u>
	<u>\$ 397,834</u>	<u>404,087</u>

Certain in kind donations have been received but not recognized as revenue as they do not meet the requirements of SFAS No. 116.

Note 5 - Promises to Give and Restrictions on Net Assets

The unconditional promises to give and temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Corporation for Public Broadcasting	<u>\$ 21,694</u>	<u>24,327</u>

Temporary restrictions on net assets as the end of 2014 are related to funds from Corporation for Public Broadcasting. The funds are restricted as to funding for the next year.

Note 6 - Intangible Assets

The Company does not amortize its FCC broadcast license as the life is not determinable. The company tests this indefinite-lived intangible asset for impairment at least annually using the direct method. Under the direct method, it is assumed that rather than acquiring indefinite-lived intangible assets as a part of a going concern business, the buyer hypothetically obtains indefinite-lived intangible assets and builds a new operation with similar attributes from scratch. Thus, the buyer incurs start-up costs during the build-up phase which are normally associated with going concern value. Initial capital costs are deducted from the discounted cash flows model which results in value that is directly attributable to the indefinite-lived intangible assets.

PUBLIC RADIO FOR THE FRONT RANGE

Notes to Financial Statements

Year Ended December 31, 2014

Note 7: Commitments

On November 9, 2010, KRFC entered into an operating lease with South College 619, LLC, to lease office space at 619 South College Avenue, Fort Collins, Colorado. The lease will expire on September 30, 2015. Starting October 2010, South College 619, LLC, has agreed to donate the space to KRFC in exchange for payment of all utilities associated with the space, which are prorated at \$505 per month.

Minimum utilities, on an annual basis are as follows:

Fiscal year ended December 31,	
2015	\$ <u>4,545</u>
	\$ <u>4,545</u>

In addition, KRFC entered into a site lease in rural Larimer County for radio transmitting equipment for the period of seven years from January 1, 2008 to December 31, 2015.

Minimum rentals, on an annual basis are as follows:

Fiscal year ended December 31,	
2015	\$ <u>6,235</u>
	\$ <u>6,235</u>

Note 8: Subsequent Events

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. The Foundation has evaluated subsequent events for potential recognition and/or disclosure in these financial statements through June 18, 2015, the date the financial statements were available to be issued.