



**VERMONT PUBLIC RADIO
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

VERMONT PUBLIC RADIO

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

VERMONT PUBLIC RADIO

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vermont Public Radio
Colchester, Vermont

We have audited the accompanying statement of financial position of Vermont Public Radio (VPR), a nonprofit organization, as of September 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of VPR's management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Vermont Public Radio as of September 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jmm & Associates

January 7, 2008

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

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VERMONT PUBLIC RADIO

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2007

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
CURRENT ASSETS				
Cash and cash equivalents (Note 13)	\$ 414,146	-	\$ -	\$ 414,146
Underwriting receivable, net (Note 3)	384,052	-	-	384,052
Grants and other receivables	62,548	-	-	62,548
Pledges receivable (Note 2)	34,625	50,000	960,000	1,044,625
Prepaid expenses	126,910	-	-	126,910
TOTAL CURRENT ASSETS	<u>1,022,281</u>	<u>50,000</u>	<u>960,000</u>	<u>2,032,281</u>
PROPERTY AND EQUIPMENT				
Land, buildings and equipment (Note 4)	9,767,658	-	-	9,767,658
Less accumulated depreciation	(3,321,481)	-	-	(3,321,481)
TOTAL PROPERTY AND EQUIPMENT	<u>6,446,177</u>	<u>-</u>	<u>-</u>	<u>6,446,177</u>
OTHER ASSETS				
Investments (Note 5)	3,403,447	55,879	4,895,825	8,355,151
Pledges receivable, net of current portion (Note 2)	-	133,529	1,272,235	1,405,764
Beneficial interest in trusts (Note 6)	-	-	641,377	641,377
TOTAL OTHER ASSETS	<u>3,403,447</u>	<u>189,408</u>	<u>6,809,437</u>	<u>10,402,292</u>
TOTAL ASSETS	<u>\$ 10,871,905</u>	<u>\$ 239,408</u>	<u>\$ 7,769,437</u>	<u>\$ 18,880,750</u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
CURRENT LIABILITIES				
Current portion of long-term debt (Note 7)	\$ 308,680	-	-	\$ 308,680
Accounts payable	176,403	-	-	176,403
Accrued payroll	256,881	-	-	256,881
TOTAL CURRENT LIABILITIES	<u>741,964</u>	<u>-</u>	<u>-</u>	<u>741,964</u>
LONG-TERM LIABILITIES				
Note payable, net of current portion (Note 7)	656,670	-	-	656,670
Charitable gift annuity payable (Note 6)	11,355	-	-	11,355
TOTAL LONG-TERM LIABILITIES	<u>668,025</u>	<u>-</u>	<u>-</u>	<u>668,025</u>
TOTAL LIABILITIES	<u>1,409,989</u>	<u>-</u>	<u>-</u>	<u>1,409,989</u>
NET ASSETS				
Unrestricted				
Undesignated	1,080,935	-	-	1,080,935
Board-designated reserves (Note 11)	2,900,154	-	-	2,900,154
Net property and equipment	5,480,827	-	-	5,480,827
Subtotal - unrestricted	<u>9,461,916</u>	<u>-</u>	<u>-</u>	<u>9,461,916</u>
Temporarily restricted (Note 12)	-	239,408	-	239,408
Permanently restricted (Note 12)	-	-	7,769,437	7,769,437
TOTAL NET ASSETS	<u>9,461,916</u>	<u>239,408</u>	<u>7,769,437</u>	<u>17,470,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,871,905</u>	<u>\$ 239,408</u>	<u>\$ 7,769,437</u>	<u>\$ 18,880,750</u>

See accompanying notes.

VERMONT PUBLIC RADIO
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
SUPPORT AND REVENUE				
Memberships	\$ 3,058,090	-	-	\$ 3,058,090
Contributions - operating	72,514	-	-	72,514
Contributions - capital	378	239,408	-	239,786
Underwriting	2,161,548	-	-	2,161,548
Bequests	72,231	-	-	72,231
Grants	1,023,648	-	-	1,023,648
Telecasting, production and other income	89,066	-	-	89,066
Interest, dividends and realized gains on investments	443,230	-	-	443,230
Unrealized gain on investments	661,536	-	-	661,536
Gain on disposal of assets	26,170	-	-	26,170
Donated goods and services	369,457	-	-	369,457
	7,977,868	239,408	-	8,217,276
Net assets released from restrictions	65,570	(65,570)	-	-
	8,043,438	173,838	-	8,217,276
TOTAL SUPPORT AND REVENUE				
EXPENSES				
Program services	4,523,984	-	-	4,523,984
Management and general	847,545	-	-	847,545
Fundraising and membership development	1,131,678	-	-	1,131,678
	6,503,207	-	-	6,503,207
TOTAL EXPENSES				
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (forward)	\$ 1,540,231	\$ 173,838	\$ -	\$ 1,714,069

See accompanying notes.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTAL</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (forwarded)	\$ 1,540,231	\$ 173,838	\$ -	\$ 1,714,069
NON-OPERATING INCOME (EXPENSE)				
Endowment contributions	109,855	-	1,190,345	1,300,200
Change in beneficial interest in trusts	-	-	42,568	42,568
Endowment expenses	(109,855)	-	-	(109,855)
TOTAL NON-OPERATING INCOME (EXPENSE)	-	-	1,232,913	1,232,913
CHANGE IN NET ASSETS	1,540,231	173,838	1,232,913	2,946,982
BEGINNING NET ASSETS - As previously reported	11,172,638	65,570	3,285,571	14,523,779
PRIOR PERIOD ADJUSTMENT - Reclass restricted assets	(3,250,953)	-	3,250,953	-
BEGINNING NET ASSETS - As restated	7,921,685	65,570	6,536,524	14,523,779
ENDING NET ASSETS	\$ 9,461,916	\$ 239,408	\$ 7,769,437	\$ 17,470,761

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Program Services	Management and General	Fundraising and Membership Development	Endowment	TOTAL
Salaries and wages	\$ 1,496,832	\$ 424,731	\$ 453,431	\$ 78,278	\$ 2,453,272
Payroll taxes and employee benefits	442,190	126,750	117,561	23,519	710,020
Subtotal - Personnel	1,939,022	551,481	570,992	101,797	3,163,292
Advertising	86,112	2,026	3,680	-	91,818
Bad debt	-	-	69,588	(16,029)	53,559
Bank and credit card fees	-	2,051	59,471	-	61,522
Building and equipment rent	109,585	1,175	783	-	111,543
Computer and satellite expense	100,772	13,476	18,223	-	132,471
Depreciation and amortization	375,810	33,160	33,160	-	442,130
Donated supplies and services	348,344	-	17,113	-	365,457
Interest	5,968	-	-	-	5,968
Investment fees	-	18,321	-	13,957	32,278
Memberships and subscriptions	8,557	24,241	6,202	863	39,863
Miscellaneous	34,287	18,994	20,288	(433)	73,136
Occupancy	205,595	37,305	27,550	-	270,450
Postage and shipping	4,942	3,342	119,835	56	128,175
Premiums and packaging	-	-	57,172	-	57,172
Printing and production	3,266	4,508	58,614	-	66,388
Professional fees	183,457	71,674	7,704	523	263,358
Program acquisition fees	756,356	-	-	-	756,356
Program affiliation	109,603	-	-	-	109,603
Special events and projects	2,700	-	22,837	-	25,537
Supplies	46,673	12,522	6,940	638	66,773
Telecommunications	113,535	16,330	8,160	1,544	139,569
Travel and conferences	89,400	36,939	23,366	6,939	156,644
TOTAL EXPENSES	\$ 4,523,984	\$ 847,545	\$ 1,131,678	\$ 109,855	\$ 6,613,062

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	<u>\$ 2,946,982</u>
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Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Depreciation and amortization	442,130
Gain on disposal of assets	(26,170)
Donated capital assets	(4,000)
Gifts restricted for endowment	(1,190,345)
Gifts restricted for capital purchases	(239,408)
Change in provision for uncollectible pledges receivable	(25,479)
Change in provision for uncollectible underwriting receivable	10,000
Amortization of discount on pledges receivable	8,435
Realized and unrealized gain on investments	(834,880)
Change in beneficial interest in trust	(42,568)
(Increase) decrease in:	
Underwriting receivables	(202,210)
Grants and other receivables	(10,920)
Pledges receivable	107,607
Prepaid expenses	5,804
Increase (decrease) in:	
Accounts payable	(9,002)
Accrued payroll	9,028
Deferred revenue	(77,057)
Charitable gift annuities payable	(3,210)

Total adjustments	<u>(2,082,245)</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>864,737</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of assets	10,500
Purchases of property, equipment and intangibles	(2,617,828)
Proceeds from sales of investment securities	1,270,868
Purchases of investment securities	<u>(2,134,034)</u>

NET CASH USED BY INVESTING ACTIVITIES	<u>(3,470,494)</u>
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See accompanying notes.

VERMONT PUBLIC RADIO
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

CASH FLOWS FROM FINANCING ACTIVITIES	
Endowment gifts received	\$ 1,145,141
Capital gifts received	68,027
Proceeds from issuance of long-term debt	990,000
Principal payments on long-term debt	<u>(24,650)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,178,518</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(427,239)
BEGINNING CASH AND CASH EQUIVALENTS	<u>841,385</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 414,146</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	<u>\$ 5,968</u>
Income taxes paid	<u><u>\$ 1,573</u></u>

See accompanying notes.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

Vermont Public Radio ("VPR") is a not-for-profit corporation which operates non-commercial public radio stations in Vermont: WVPR-FM in Windsor, WVPS-FM in Burlington, WRVT-FM in Rutland, WVPA-FM in St. Johnsbury, WBTV-FM in Bennington, WNCH-FM in Norwich, WVTQ-FM in Sunderland/Manchester, and WOXR-FM in Burlington. All of these stations are accounted for as a single operating entity. VPR obtains its revenue principally from public contributions and underwriting contracts with area businesses.

Financial statement presentation

Vermont Public Radio reports its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, VPR is required to report information regarding its financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, SFAS No. 117 requires VPR to present a statement of cash flows.

Contributions

Vermont Public Radio reports its contributions received in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any 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.

Underwriting receivable

Vermont Public Radio recognizes amounts received for on-air promotion as exchange transactions as the credits are aired. VPR uses the allowance method to record the uncollectible amounts.

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included in contribution revenue until the conditions are substantially met.

Vermont Public Radio uses the allowance method to record uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

Vermont Public Radio considers all highly liquid investments to be cash equivalents including certificates of deposit that have an initial maturity of three months or less.

Income taxes

Vermont Public Radio's core operations are exempt from Federal income tax on related income as an organization described in Section 501(c)(3) of the Internal Revenue Code. In addition, VPR has been classified as an organization that is not a private foundation under Section 509(a) of the Code.

VPR is required to pay income taxes on net income received from unrelated activities, primarily rental of tower facilities to third parties.

Allocated costs

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

Donated goods and services

In-kind contributions of goods and services are recorded as revenue and expenses in the accompanying Statement of Activities. In-kind contributions consist of donated artist fees and other professional services, telecommunications services and materials. These donations are recorded at estimated fair value.

Vermont Public Radio receives significant amounts of donated services from volunteers performing various functions, primarily fundraising and administrative duties. No amounts have been recorded for these services as they do not meet the criteria for recognition in the financial statements.

Investments

Vermont Public Radio reports its investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, VPR is required to report covered investments in the Statement of Financial Position at fair market value with any realized or unrealized gains and losses reported in the Statement of Activities. Covered investments include all equity securities with readily determinable fair values and all investments in debt securities. For purposes of the Statement of Cash Flows, VPR considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Gifts of securities are reported at fair market value on the date of the gift.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost and are depreciated over their estimated useful and economic lives by the straight-line method. Vermont Public Radio's policy is to capitalize all significant betterments with a cost or value of \$1,000 or more and a useful life of at least one year.

Donated property and equipment, which is stated at fair market value at the date of the gift, is 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 restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, VPR reports expirations when the donated or acquired assets are placed in service as instructed by the donor. VPR reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Included in property and equipment are the various radio frequencies owned by Vermont Public Radio. Radio frequencies are limited as to availability and have historically appreciated in value with the passage of time. These intangible assets are reviewed for impairment based on an assessment of future operations to ensure they are appropriately valued. VPR is amortizing the frequencies using the straight-line method over a period of 25 years, in accordance with Accounting Principles Bulletin (APB) No. 17, *Intangible Assets*.

Estimates

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

Advertising

Vermont Public Radio expenses advertising costs to operations when incurred. Total advertising expense was \$322,412, including donated advertising of \$230,594 for the year ended September 30, 2007.

2) PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give at September 30, 2007:

Unrestricted promises:	
Corporate match	\$ 20,305
Fund drive	46,706
WNCH	25
Bequest receivable	<u>4,800</u>
Subtotal (forwarded)	<u>\$ 71,836</u>

VERMONT PUBLIC RADIO
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

2) PLEDGES RECEIVABLE (continued)

Subtotal (carried forward)	\$ 71,836
Restricted promises:	
Capital purchases	194,121
Creating A Sound Future	<u>2,471,627</u>
Subtotal - promises to give	2,737,584
Less discount	(91,478)
Less allowance for uncollectible pledges	<u>(195,717)</u>
	<u>\$ 2,450,389</u>

Promises to give are due in:

Less than one year	\$ 1,044,625
One to five years	<u>1,405,764</u>
	<u>\$ 2,450,389</u>

Pledges receivable in more than one year have been discounted at 4%.

3) UNDERWRITING RECEIVABLE

Underwriting receivable consists of the following at September 30, 2007:

Due within one year	\$ 419,485
Less allowance for uncollectible accounts	<u>(35,433)</u>
	<u>\$ 384,052</u>

In 2007, Vermont Public Radio changed its billing procedure for underwriting from in advance to in arrears.

VERMONT PUBLIC RADIO
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

4) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2007:

Building	\$ 464,720
Frequencies and towers	2,762,335
Transmitters, antennae and satellites	2,645,274
Building improvements	1,634,044
Studio equipment	827,650
Furniture and equipment	998,762
Transportation equipment	51,486
Assets not yet in service	383,387
	9,767,658
Less accumulated depreciation	(3,321,481)
	\$ 6,446,177

Depreciation and amortization expense was \$442,130 for the year ended September 30, 2007.

Assets not yet in service consist of the following at September 30, 2007;

Frequencies not utilized	\$ 147,000
Architectural studies on Colchester building	55,293
Digital licenses	10,000
Technology and other equipment	171,094
	\$ 383,387

5) INVESTMENTS

Investments consist of the following at September 30, 2007:

	Cost	Market	Unrealized Appreciation
Cash and money funds	\$ 580,239	\$ 580,239	\$ -
U.S. Government securities	2,087,813	2,114,182	26,369
Equity securities	4,541,860	5,660,730	1,118,870
	\$ 7,209,912	\$ 8,355,151	\$ 1,145,239

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

5) INVESTMENTS (continued)

The components of investment return consist of the following for the year ended September 30, 2007:

Interest and dividend income	\$ 269,885
Net realized gain on sale of investments	173,345
Net unrealized gain on investments	661,536
 Total investment return	 \$ 1,104,766

Fees and commissions paid to investment managers were \$32,278 for the year ended September 30, 2007.

6) SPLIT INTEREST AGREEMENTS

Vermont Public Radio has been named a beneficiary of several split interest agreements as follows:

Charitable remainder trusts

Several donors have established trust agreements naming Vermont Public Radio as the sole residual beneficiary. As VPR is not the trustee and does not exercise control over the assets contributed to the trusts, it has recorded a receivable for the estimated net present value of VPR's portion of the beneficial interest in each trust, utilizing the life expectancy tables established by the Centers for Disease Control and the annual financial rate published by the Internal Revenue Service (5.8% at September 30, 2007). Net present value of beneficial interest was \$641,377 at September 30, 2007.

Charitable gift annuities

Several donors have signed charitable gift annuity agreements with Vermont Public Radio. Under the agreements, VPR is required to make periodic payments to the donors over their lives, with the remaining amount to be recorded in the general assets of VPR. Net charitable gift annuity payable was \$11,355 at September 30, 2007.

7) LONG-TERM DEBT

Notes payable consist of the following at September 30, 2007:

Chittenden Bank:

Frequency acquisition note payable in monthly installments of \$30,618, including interest at 7%, due July 2010, unsecured	\$ 965,350
Less current portion	(308,680)
	\$ 656,670

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

7) LONG-TERM DEBT (continued)

Future maturities of long-term debt for the years ending September 30 are as follows:

2008		\$	308,680	
2009			331,500	
2010			325,170	
			325,170	
		\$	965,350	

Interest expense was \$5,968 for the year ended September 30, 2007.

8) LINE OF CREDIT

In March 2007, Vermont Public Radio obtained a \$100,000 line of credit from the Chittenden Bank. The note bears interest at the Wall Street Journal prime rate (8.25% at September 30, 2007) and matures on February 28, 2008. There were no amounts outstanding under this agreement at September 30, 2007.

9) RETIREMENT PLANS

Vermont Public Radio has a profit-sharing plan that covers all full-time employees who have attained the age of 21 and have completed one year of service. Contributions to the Plan are at the discretion of the Board of Directors, and totaled \$112,625 for the year ended September 30, 2007.

VPR also sponsors a salary deferral plan that meets the requirements of Section 403(b) of the Internal Revenue Code and covers substantially all full-time employees of Vermont Public Radio that have attained the age of 21. Under this plan, employees may elect to defer between 1-10% of eligible compensation, subject to Internal Revenue Service limitations.

10) OPERATING LEASES

Vermont Public Radio leases various equipment, transmitting facilities and sites and storage areas under operating leases that expire through 2012. Rent expense for these leases was \$111,543 for the year ended September 30, 2007.

Minimum rental payments under non-cancelable agreements for the years ending September 30 are as follows:

2008		\$	96,700	
2009			89,000	
2010			61,400	
2011			42,500	
2012			6,000	
			6,000	
		\$	295,600	

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

11) BOARD-DESIGNATED NET ASSETS

Vermont Public Radio has designated a portion of its unrestricted net assets as reserves to be used only in certain circumstances with prior approval by the Board of Directors.

12) RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the purchase of equipment.

Permanently restricted net assets as of September 30, 2007 consist of donor-restricted funds to be held in perpetuity as follows:

Creating a Sound Future:	
Beneficial interests in trusts	\$ 641,377
Direct gifts	<u>6,125,563</u>
Subtotal - Creating a Sound Future	<u>6,766,940</u>
Charles and Terry Phillips Classical Music Fund	<u>1,002,497</u>
	<u>\$ 7,769,437</u>

Income earned on the Phillips Classical Music Fund is restricted to support classical music programming.

Income earned on other permanently restricted funds is unrestricted and may be used at the discretion of VPR's management.

13) CONCENTRATIONS

At September 30, 2007, amounts on deposit in excess of the FDIC limit were \$634,891.

At September 30, 2007, there were seven pledges to the Creating a Sound Future (CSF) Campaign that accounted for approximately \$1,995,710, or 81%, of total pledges receivable.

14) RELATED PARTY TRANSACTIONS

Vermont Public Radio maintains bank accounts at the Merchants Bank. A member of VPR's Board of Directors was the President of the Merchants Bank until January 1, 2006.

Included in pledges receivable at September 30, 2007 is approximately \$1,042,049 pledged for the Creating a Sound Future Campaign by employees and members of the Board of Directors of VPR.

Vermont Public Radio made payments of approximately \$608,000 in 2007 to National Public Radio for programming and other fees. VPR's president is a member of the Board of Directors of National Public Radio.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

14) RELATED PARTY TRANSACTIONS (continued)

In 2005, Vermont Public Radio developed a "retention compensation program" for a select key employee. The program requires VPR to accrue \$15,000 annually in anticipation of a six-month sabbatical for which Vermont Public Radio will pay \$75,000. VPR anticipates awarding this compensation in fiscal year 2009.

15) COMMITMENTS AND CONTINGENCIES

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

In June 1993, Vermont Public Radio purchased a building for \$190,000 from the State of Vermont for use as its principal broadcasting and administrative facility. The purchase and sale agreement contains a provision that requires VPR to pay an additional \$85,000 to the State upon the sale of the building. This additional payment represents the difference between the purchase price and the market value of the building as determined by the State of Vermont at the time the property was conveyed to VPR. Vermont Public Radio considers the possibility of selling the building to be remote, as it intends to continue to use the building as its permanent facility. Accordingly, no additional amounts have been accrued in the accompanying financial statements in connection with the purchase of the building.

In 2003 and 2004, Vermont Public Radio acquired approximately \$109,000 in new transmitter and antenna equipment through a grant received from the National Telecommunications and Information Administration (NTIA) of the United States Department of Commerce. Under the terms of the grants, the U.S. Department of Commerce retains a reversionary interest in all facilities constructed or acquired with Federal funds for a period of ten years after the official completion date of the project or acquisition of the equipment.

16) SUBSEQUENT EVENTS

In September 2007, Vermont Public Radio established a new radio signal that will broadcast only classical music. VPR's existing classical music programs were shifted to the new signal and replaced by news and talk programming.

17) PRIOR PERIOD ADJUSTMENT

The financial statements for the year ended September 30, 2006 have been restated to correct the accounting treatment for contributions to the Creating a Sound Future campaign. Unrestricted net assets as of September 30, 2006 were reduced by \$3,250,953 and permanently restricted net assets as of September 30, 2006 were increased by \$3,250,953. There was no effect on the total change in net assets for 2006 or 2007.