

VERMONT PUBLIC RADIO
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

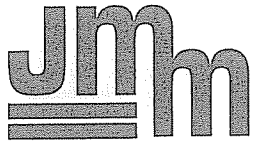
VERMONT PUBLIC RADIO
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009 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. The prior year summarized comparative information has been derived from Vermont Public Radio's 2008 financial statements and, in our report dated June 24, 2009, we expressed an unqualified opinion on those financial statements.

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, 2009, 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 28, 2010

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

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VERMONT PUBLIC RADIO

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)
A S S E T S

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2009 Total | 2008 Total |
|--|---------------------|------------------------|------------------------|----------------------|----------------------|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents (Note 15) | \$ 151,055 | \$ 9,245 | \$ - | \$ 160,300 | \$ 622,332 |
| Underwriting receivable, net (Note 3) | 217,954 | - | - | 217,954 | 252,337 |
| Grants and other receivables | 39,056 | - | - | 39,056 | 74,891 |
| Pledges receivable, net (Note 2) | 303,455 | 100,000 | 723,640 | 1,127,095 | 885,190 |
| Prepaid expenses | 76,490 | - | - | 76,490 | 107,203 |
| TOTAL CURRENT ASSETS | <u>788,010</u> | <u>109,245</u> | <u>723,640</u> | <u>1,620,895</u> | <u>1,941,953</u> |
| PROPERTY AND EQUIPMENT | | | | | |
| Land, buildings and equipment (Note 5) | 10,805,570 | - | - | 10,805,570 | 10,044,776 |
| Less accumulated depreciation | (4,324,038) | - | - | (4,324,038) | (3,839,164) |
| TOTAL PROPERTY AND EQUIPMENT | <u>6,481,532</u> | <u>-</u> | <u>-</u> | <u>6,481,532</u> | <u>6,205,612</u> |
| OTHER ASSETS | | | | | |
| Investments - endowment funds (Note 6) | 729,985 | - | 6,542,156 | 7,272,141 | 7,511,578 |
| Investments - other | 246,497 | 79,838 | - | 326,335 | 107,398 |
| Pledges receivable, net (Note 2) | - | 72,644 | 522,246 | 594,890 | 1,372,859 |
| Beneficial interest in trusts (Note 8) | - | - | 1,298,395 | 1,298,395 | 991,518 |
| Equipment deposits (Note 4) | - | - | - | - | 204,396 |
| TOTAL OTHER ASSETS | <u>976,482</u> | <u>152,482</u> | <u>8,362,797</u> | <u>9,491,761</u> | <u>10,187,749</u> |
| TOTAL ASSETS | <u>\$ 8,246,024</u> | <u>\$ 261,727</u> | <u>\$ 9,086,437</u> | <u>\$ 17,594,188</u> | <u>\$ 18,335,314</u> |

See accompanying notes.

LIABILITIES AND NET ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>2009 Total</u> | <u>2008 Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| CURRENT LIABILITIES | | | | | |
| Current portion of long-term debt (Note 9) | \$ 325,330 | - | - | \$ 325,330 | \$ 331,490 |
| Note payable - line of credit (Note 10) | - | - | - | - | 100,000 |
| Accounts payable | 86,441 | - | - | 86,441 | 385,659 |
| Accrued payroll | 268,965 | - | - | 268,965 | 243,627 |
| Deferred income | 19,891 | - | - | 19,891 | 129,704 |
| TOTAL CURRENT LIABILITIES | <u>700,627</u> | <u>-</u> | <u>-</u> | <u>700,627</u> | <u>1,190,480</u> |
| LONG-TERM LIABILITIES | | | | | |
| Note payable, net (Note 9) | - | - | - | - | 325,180 |
| Charitable gift annuity payable (Note 8) | 11,067 | - | - | 11,067 | 15,675 |
| TOTAL LONG-TERM LIABILITIES | <u>11,067</u> | <u>-</u> | <u>-</u> | <u>11,067</u> | <u>340,855</u> |
| TOTAL LIABILITIES | <u>711,694</u> | <u>-</u> | <u>-</u> | <u>711,694</u> | <u>1,531,335</u> |
| NET ASSETS | | | | | |
| Unrestricted | | | | | |
| Undesignated | (512,450) | - | - | (512,450) | 21,964 |
| Board-designated reserves (Note 14) | 1,890,578 | - | - | 1,890,578 | 2,363,170 |
| Net property and equipment | 6,156,202 | - | - | 6,156,202 | 5,548,942 |
| Subtotal - unrestricted | <u>7,534,330</u> | <u>-</u> | <u>-</u> | <u>7,534,330</u> | <u>7,934,076</u> |
| Temporarily restricted (Note 13) | - | 261,727 | - | 261,727 | 194,748 |
| Permanently restricted (Note 13) | - | - | 9,086,437 | 9,086,437 | 8,675,155 |
| TOTAL NET ASSETS | <u>7,534,330</u> | <u>261,727</u> | <u>9,086,437</u> | <u>16,882,494</u> | <u>16,803,979</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 8,246,024</u> | <u>\$ 261,727</u> | <u>\$ 9,086,437</u> | <u>\$ 17,594,188</u> | <u>\$ 18,335,314</u> |

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

| CHANGE IN NET ASSETS FROM OPERATIONS | 2009 | | 2008 | |
|---|---------------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| SUPPORT AND REVENUE | | | | |
| Memberships | \$ 3,313,417 | \$ - | \$ - | \$ 3,246,344 |
| Contributions - operating | 8,000 | - | - | 54,417 |
| Underwriting | 1,605,612 | - | - | 1,927,706 |
| Grants | 820,100 | - | - | 857,103 |
| Investment return designated for current operations | 430,107 | - | - | 577,053 |
| Telecasting, production and other income | 210,086 | - | - | 310,773 |
| Gain on disposal of assets | 3,065 | - | - | 553 |
| Donated goods and services | 448,336 | - | - | 369,639 |
| TOTAL SUPPORT AND REVENUE | <u>6,838,723</u> | <u>-</u> | <u>-</u> | <u>7,343,588</u> |
| EXPENSES | | | | |
| Program services | 4,871,809 | - | - | 5,044,055 |
| Management and general | 918,377 | - | - | 953,086 |
| Fundraising and membership development | 1,163,375 | - | - | 1,218,731 |
| TOTAL EXPENSES | <u>6,953,561</u> | <u>-</u> | <u>-</u> | <u>7,215,872</u> |
| CHANGE IN NET ASSETS FROM OPERATIONS (forward) | <u>\$ (114,838)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 127,716</u> |

See accompanying notes.

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2009 Total | 2008 Total |
|---|---------------------|------------------------|------------------------|----------------------|----------------------|
| CHANGE IN NET ASSETS FROM OPERATIONS (forwarded) | \$ (114,838) | \$ - | \$ - | \$ (114,838) | \$ 127,716 |
| NON-OPERATING INCOME (EXPENSE) | | | | | |
| Endowment contributions | 82,828 | - | 104,405 | 187,233 | 738,460 |
| Change in beneficial interest in trusts | - | - | 306,877 | 306,877 | 350,141 |
| Contributions - capital | - | 116,979 | - | 116,979 | 5,340 |
| Bequests | 235,146 | - | - | 235,146 | 10,158 |
| Non-operating investment loss, net | (570,054) | - | - | (570,054) | (1,757,379) |
| Endowment expenses | (82,828) | - | - | (82,828) | (141,218) |
| Subtotal | (334,908) | 116,979 | 411,282 | 193,353 | (794,498) |
| Net assets released for capital purposes | 50,000 | (50,000) | - | - | - |
| TOTAL NON-OPERATING INCOME (EXPENSE) | (284,908) | 66,979 | 411,282 | 193,353 | (794,498) |
| TOTAL CHANGE IN NET ASSETS | (399,746) | 66,979 | 411,282 | 78,515 | (666,782) |
| BEGINNING NET ASSETS | 7,934,076 | 194,748 | 8,675,155 | 16,803,979 | 17,470,761 |
| ENDING NET ASSETS | \$ 7,534,330 | \$ 261,727 | \$ 9,086,437 | \$ 16,882,494 | \$ 16,803,979 |

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

| | Program Services | Management and General | Fundraising and Membership Development | Endowment | 2009 Total | 2008 Total |
|---------------------------------------|---------------------|------------------------|--|------------------|---------------------|---------------------|
| Salaries and wages | \$ 1,773,037 | \$ 440,822 | \$ 381,216 | \$ 35,634 | \$ 2,630,709 | \$ 2,803,200 |
| Payroll taxes | 148,673 | 34,558 | 31,855 | 2,778 | 217,864 | 228,777 |
| Pension expense | 73,243 | 21,794 | 18,734 | 2,277 | 116,048 | 133,815 |
| Employee benefits | 292,369 | 79,852 | 61,592 | 4,822 | 438,635 | 450,923 |
| Subtotal - Personnel | <u>2,287,322</u> | <u>577,026</u> | <u>493,397</u> | <u>45,511</u> | <u>3,403,256</u> | <u>3,616,715</u> |
| Program acquisitions and affiliations | 875,007 | - | - | - | 875,007 | 850,697 |
| Depreciation and amortization | 417,202 | 99,810 | 4,023 | - | 521,035 | 520,786 |
| Donated supplies and services | 390,127 | - | 58,209 | - | 448,336 | 369,639 |
| Office expenses | 78,778 | 32,828 | 244,073 | 33,572 | 389,251 | 487,432 |
| Occupancy | 300,543 | 28,707 | 28,386 | 445 | 358,081 | 356,819 |
| Professional fees | 195,938 | 53,461 | 98,692 | - | 348,091 | 388,975 |
| Information technology | 201,849 | 22,503 | 33,459 | 117 | 257,928 | 255,557 |
| Bad debt | - | 322 | 187,108 | (14,085) | 173,345 | 59,486 |
| Travel | 54,897 | 2,820 | 10,296 | 529 | 68,542 | 136,090 |
| Insurance | 17,360 | 24,580 | 2,015 | 303 | 44,258 | 42,757 |
| Interest | 36,082 | 1,761 | - | - | 37,843 | 62,104 |
| Accounting fees | - | 33,656 | - | - | 33,656 | 19,804 |
| Legal fees | - | 28,202 | - | - | 28,202 | 38,893 |
| Miscellaneous | 1,207 | 5,824 | 100 | 16,436 | 23,567 | 551 |
| Advertising | 9,621 | 1,988 | 2,460 | - | 14,069 | 107,649 |
| Conferences and meetings | 5,876 | 4,889 | 1,157 | - | 11,922 | 43,136 |
| TOTAL EXPENSES | <u>\$ 4,871,809</u> | <u>\$ 918,377</u> | <u>\$ 1,163,375</u> | <u>\$ 82,828</u> | <u>\$ 7,036,389</u> | <u>\$ 7,357,090</u> |

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Membership income received | \$ 3,052,392 | \$ 3,108,925 |
| Contributions and bequests | 243,146 | 69,376 |
| Grants received | 775,935 | 924,760 |
| Underwriting received | 1,639,995 | 2,034,421 |
| Other operating receipts | 210,086 | 310,772 |
| Operating investment income | 430,107 | 577,053 |
| Cash paid for personnel | (3,377,918) | (3,629,968) |
| Cash paid for goods and services | (2,838,027) | (2,386,157) |
| Interest paid | (37,843) | (62,104) |
| | <u>97,873</u> | <u>947,078</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of fixed assets | 3,065 | 6,800 |
| Purchases of property, equipment and intangibles | (556,207) | (282,711) |
| Equipment deposits paid | - | (204,396) |
| Proceeds from sales of investment securities | 183,252 | 7,838,607 |
| Purchases of investment securities | (845,310) | (8,707,155) |
| | <u>(1,215,200)</u> | <u>(1,348,855)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Endowment gifts received | 1,005,895 | 764,323 |
| Capital gifts received | 85,348 | 50,000 |
| Annuity funds received | - | 4,320 |
| Annuity payments | (4,608) | - |
| Increase (decrease) in line of credit | (100,000) | 100,000 |
| Principal payments on long-term debt | (331,340) | (308,680) |
| | <u>655,295</u> | <u>609,963</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (462,032) | 208,186 |
| BEGINNING CASH AND CASH EQUIVALENTS | <u>622,332</u> | <u>414,146</u> |
| ENDING CASH AND CASH EQUIVALENTS | <u>\$ 160,300</u> | <u>\$ 622,332</u> |

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

| | <u>2009</u> | <u>2008</u> |
|---|------------------|-------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 78,515 | \$ (666,782) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 521,035 | 520,786 |
| Gain on disposal of fixed assets | (3,065) | (553) |
| Donated capital assets | (34,407) | - |
| Gifts restricted for endowment | (187,233) | (555,577) |
| Gifts restricted for capital purchases | (116,979) | (5,340) |
| Change in provision for uncollectible pledges receivable | 122,760 | 2,030 |
| Change in provision for uncollectible underwriting receivable | - | 24,567 |
| Amortization of discount on pledges receivable | (2,143) | 64,158 |
| Non-operating investment loss | 570,054 | 1,757,379 |
| Change in beneficial interest in trusts | (306,877) | (350,141) |
| (Increase) decrease in: | | |
| Underwriting receivables | 34,383 | 107,148 |
| Pledges receivable | (261,025) | (132,594) |
| Grants and other receivables | 35,835 | (12,343) |
| Prepaid expenses | 30,713 | 19,707 |
| Increase (decrease) in: | | |
| Accounts payable | (299,218) | 58,183 |
| Accrued payroll | 25,338 | (13,254) |
| Deferred income | (109,813) | 129,704 |
| Total adjustments | <u>19,358</u> | <u>1,613,860</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 97,873</u> | <u>\$ 947,078</u> |

See accompanying notes.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

Vermont Public Radio ("VPR") is a not-for-profit corporation that 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, WVTI-FM in Brighton, 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 is required to report its financial statements according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Vermont Public Radio's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

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.

Contributions

Vermont Public Radio reports its contributions received 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.

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.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

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

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.

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.

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 is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to VPR's tax-exempt purpose is subject to taxation as unrelated business income. In addition, VPR qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) 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.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

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

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 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.

Vermont Public Radio maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Advertising

Vermont Public Radio expenses advertising costs to operations when incurred. The amount paid for advertising was \$14,069 and \$107,649 for the years ended September 30, 2009 and 2008, respectively. Additionally, VPR received donated advertising from trade agreements with area not-for-profit organizations. Total donated advertising was \$315,598 and \$194,922 for the years ended September 30, 2009 and 2008, respectively.

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.

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 that 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*.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

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

Donated capital assets

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.

2) PLEDGES RECEIVABLE

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

| | <u>2009</u> | <u>2008</u> |
|--|----------------------------|----------------------------|
| Unrestricted promises to give: | | |
| Membership | \$ 465,455 | \$ 204,430 |
| Less allowance for uncollectible pledges | <u>(162,000)</u> | <u>(39,240)</u> |
| Subtotal - net unrestricted promises to give | <u>303,455</u> | <u>165,190</u> |
| Restricted promises to give: | | |
| Capital purchases | 175,752 | 144,121 |
| Creating A Sound Future endowment | <u>1,444,219</u> | <u>2,262,881</u> |
| Subtotal - promises to give | <u>1,619,971</u> | <u>2,407,002</u> |
| Less discount on pledges receivable | (57,019) | (155,636) |
| Less allowance for uncollectible pledges | <u>(144,422)</u> | <u>(158,507)</u> |
| Subtotal - net restricted promises to give | <u>1,418,530</u> | <u>2,092,859</u> |
| TOTAL PLEDGES RECEIVABLE | <u><u>\$ 1,721,985</u></u> | <u><u>\$ 2,258,049</u></u> |
| Promises to give are due in: | | |
| Less than one year | \$ 1,127,095 | \$ 885,190 |
| One to five years | <u>594,890</u> | <u>1,372,859</u> |
| | <u><u>\$ 1,721,985</u></u> | <u><u>\$ 2,258,049</u></u> |

Pledges receivable in more than one year have been discounted at 5%.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

3) UNDERWRITING RECEIVABLE

Underwriting receivable consists of the following at September 30:

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Due within one year | \$ 277,954 | \$ 312,337 |
| Less allowance for uncollectible accounts | (60,000) | (60,000) |
| | <u>\$ 217,954</u> | <u>\$ 252,337</u> |

4) EQUIPMENT DEPOSITS

In fiscal 2008, Vermont Public Radio made two deposits on digital conversion transmitter equipment. These deposits were required in order for the equipment to be manufactured. The equipment was placed in service in fiscal 2009. Equipment deposits were \$0 and \$204,396 as of September 30, 2009 and 2008, respectively.

5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

| | <u>2009</u> | <u>2008</u> |
|---------------------------------------|---------------------|---------------------|
| Building | \$ 464,720 | \$ 464,720 |
| Frequencies and towers | 2,951,718 | 2,951,718 |
| Transmitters, antennae and satellites | 3,680,393 | 2,921,792 |
| Building improvements | 1,689,980 | 1,638,044 |
| Studio equipment | 824,804 | 826,016 |
| Furniture and equipment | 1,044,654 | 1,036,952 |
| Transportation equipment | 58,729 | 54,687 |
| Assets not yet in service | 90,572 | 150,847 |
| | <u>10,805,570</u> | <u>10,044,776</u> |
| Less accumulated depreciation | <u>(4,324,038)</u> | <u>(3,839,164)</u> |
| | <u>\$ 6,481,532</u> | <u>\$ 6,205,612</u> |

Depreciation and amortization expense was \$521,035 and \$520,786 for the years ended September 30, 2009 and 2008, respectively.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
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5) PROPERTY AND EQUIPMENT (continued)

Assets not yet in service consist of the following at September 30:

| | <u>2009</u> | <u>2008</u> |
|--|------------------|-------------------|
| Architectural studies on Colchester building | \$ 55,531 | \$ 55,531 |
| Digital licenses | 30,211 | 36,778 |
| Technology and other equipment | 4,830 | 6,001 |
| Leasehold improvements | - | 15,000 |
| Transmission and transmitter equipment | - | 37,537 |
| | <u>\$ 90,572</u> | <u>\$ 150,847</u> |

6) INVESTMENTS

Vermont Public Radio's investments include both donor-restricted endowment funds (permanently restricted) and funds designated by the Board of Directors to function as endowments (unrestricted). Investments in debt securities and equity securities with readily determinable fair values are carried at fair value. Alternative investments consisting of a venture capital fund are carried at the lower of cost or fair value.

Investments - endowment funds consisted of the following at:

| | <u>Cost</u> | <u>Unrealized Appreciation (Depreciation)</u> | <u>Fair Market Value</u> |
|----------------------------|---------------------|---|----------------------------------|
| September 30, 2009: | | | |
| Cash and money funds | \$ 861,398 | \$ - | \$ 861,398 |
| Corporate bonds | 1,541,076 | 148,661 | 1,689,737 |
| Equity securities | 4,448,161 | (566,231) | 3,881,930 |
| Foreign bonds | 475,000 | 36,233 | 511,233 |
| Mutual funds | 269,419 | (51,897) | 217,522 |
| Alternative investments | 112,455 | (2,134) | 110,321 |
| | <u>\$ 7,707,509</u> | <u>\$ (435,368)</u> | <u>\$ 7,272,141</u> |
| September 30, 2008: | | | |
| Cash and money funds | \$ 2,204,233 | \$ - | \$ 2,204,233 |
| Preferred stock | 5,880 | (2,068) | 3,812 |
| Equity securities | 6,201,237 | (1,152,283) | 5,048,954 |
| Mutual funds | 276,462 | (90,604) | 185,858 |
| Alternative investments | 82,250 | (13,529) | 68,721 |
| | <u>\$ 8,770,062</u> | <u>\$ (1,258,484)</u> | <u>\$ 7,511,578</u> |

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

6) INVESTMENTS (continued)

Fair value for all investments, except the alternative investments, are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments - other consist of publicly-traded donated stock and WOXM gift payments, and are stated at fair value.

The components of investment return consist of the following for the years ended September 30:

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|-----------------------|
| Interest and dividend income | \$ 170,788 | \$ 289,235 |
| Net realized gain (loss) on sale of investments | (1,258,719) | 976,613 |
| Net unrealized gain (loss) on investments - endowment funds | 823,016 | (2,403,724) |
| Net unrealized gain - donated stock | 194,977 | 51,520 |
| Investment fees | <u>(70,009)</u> | <u>(93,970)</u> |
| Total investment return | <u>\$ (139,947)</u> | <u>\$ (1,180,326)</u> |

Investment income is reported in the Statement of Activities as follows:

| | | |
|---------------|---------------------|-----------------------|
| Operating | \$ 430,107 | \$ 577,053 |
| Non-operating | <u>(570,054)</u> | <u>(1,757,379)</u> |
| | <u>\$ (139,947)</u> | <u>\$ (1,180,326)</u> |

7) ENDOWMENT FUNDS

Implementation of FSP FAS 117-1

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position (formerly referred to as No. FAS 117-1), "Endowments of Not-for-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds". The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Vermont enacted UPMIFA effective May 5, 2009, the provisions of which apply to endowment funds existing or established after that date. Vermont Public Radio has adopted the FASB Staff Position for the year ended September 30, 2009. The Board of Directors, on advice of legal counsel, has determined that VPR's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

7) ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law

The Board of Directors of VPR has interpreted State of Vermont law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, VPR classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. There are no explicit donor stipulations that govern VPR's permanently restricted endowment funds. All investment income from these funds is considered immediately appropriated for expenditure by VPR. Investment losses from these funds decrease unrestricted net assets. VPR considers the duration and preservation of the fund, general economic conditions, the possible effect of inflation or deflation, the expected total return of the fund, the availability of other resources, and the general investment policies of VPR when establishing the investment allocation of the fund.

Return Objectives and Risk Parameters

Vermont Public Radio has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that VPR must hold in perpetuity or for a donor-specified period as well as Board-Designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce sufficient earnings to meet VPR's current and future operational needs.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, VPR relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). VPR targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Vermont Public Radio has a policy of withdrawing an amount determined annually by the Board of Directors, through its standing Investment Committee, not to exceed a percentage of the portfolio's market value determined each March 31st using a rolling three-year average. According to the Organization's policy, spending from the funds should be adjusted annually for the rate of inflation, to maintain the endowment assets in perpetuity.

Funds With Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donors or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$1,209,388 and \$727,924 as of September 30, 2009 and 2008, respectively.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

7) ENDOWMENT FUNDS (continued)

Endowment net asset composition were as follows as of:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| September 30, 2008: | | | | |
| Board-designated endowment funds | \$ 2,363,170 | \$ - | \$ - | \$ 2,363,170 |
| Donor-restricted endowment funds | (727,924) | - | 8,675,155 | 7,947,231 |
| | <u>\$ 1,635,246</u> | <u>\$ -</u> | <u>\$ 8,675,155</u> | <u>\$ 10,310,401</u> |
| September 30, 2009: | | | | |
| Board-designated endowment funds | \$ 1,890,578 | \$ - | \$ - | \$ 1,890,578 |
| Donor-restricted endowment funds | (1,209,388) | - | 9,086,437 | 7,877,049 |
| | <u>\$ 681,190</u> | <u>\$ -</u> | <u>\$ 9,086,437</u> | <u>\$ 9,767,627</u> |

Changes in endowment net assets were as follows for the years ended September 30 2008 and 2009:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets, October 1, 2007 | \$ 3,368,717 | \$ - | \$ 7,769,437 | \$ 11,138,154 |
| Additional board designations | 36,683 | - | - | 36,683 |
| Contributions | 182,883 | - | 555,577 | 738,460 |
| Increase in beneficial interest in trusts | - | - | 350,141 | 350,141 |
| Administration expenses | (141,218) | - | - | (141,218) |
| Interest and dividend income | 276,499 | - | - | 276,499 |
| Net realized and unrealized gains (losses) | (1,427,111) | - | - | (1,427,111) |
| Investment fees | (78,859) | - | - | (78,859) |
| Appropriated for expenditure | (582,348) | - | - | (582,348) |
| Endowment net assets, September 30, 2008 | <u>\$ 1,635,246</u> | <u>\$ -</u> | <u>\$ 8,675,155</u> | <u>\$ 10,310,401</u> |

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
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7) ENDOWMENT FUNDS (continued)

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, October 1, 2008 | \$ 1,635,246 | \$ - | \$ 8,675,155 | \$ 10,310,401 |
| Additional board designations | 200,000 | - | - | 200,000 |
| Contributions | 82,828 | - | 104,405 | 187,233 |
| Increase in beneficial interest in trusts | - | - | 306,877 | 306,877 |
| Administration expenses | (82,828) | - | - | (82,828) |
| Interest and dividend income | 166,483 | - | - | 166,483 |
| Net realized and unrealized gains (losses) | (437,050) | - | - | (437,050) |
| Investment fees | (60,554) | - | - | (60,554) |
| Appropriated for expenditure | (375,044) | - | - | (375,044) |
| Additional withdrawals | (447,891) | - | - | (447,891) |
| Endowment net assets, September 30, 2009 | <u>\$ 681,190</u> | <u>\$ -</u> | <u>\$ 9,086,437</u> | <u>\$ 9,767,627</u> |

8) SPLIT INTEREST AGREEMENTS

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

Beneficial interest in 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, at fair value, 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 (3.4% and 4.2% at September 30, 2009 and 2008, respectively). The net present value of beneficial interest was \$1,298,395 and \$991,518 at September 30, 2009 and 2008, respectively.

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. The net charitable gift annuity payable was \$11,067 and \$15,675 at September 30, 2009 and 2008, respectively.

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9) LONG-TERM DEBT

Notes payable consist of the following at September 30:

| | 2009 | 2008 |
|---|-------------|-------------|
| Chittenden Bank: | | |
| Frequency acquisition note payable in monthly installments of \$30,618, including interest at 7%, due July 2010, unsecured | \$ 325,330 | \$ 656,670 |
| Less current portion | (325,330) | (331,490) |
| | \$ - | \$ 325,180 |

Future maturities of long-term debt are \$325,330 for the year ending September 30, 2010.

Interest expense was \$37,843 and \$62,104 for the years ended September 30, 2009 and 2008, respectively.

10) LINE OF CREDIT

In May 2008, Vermont Public Radio increased its line of credit with the Chittenden Bank from \$100,000 to \$400,000. The note bore interest at the Wall Street Journal prime rate (3.25% and 3.5% at September 30, 2009 and 2008, respectively) and matured on March 31, 2009, at which time VPR renewed the line of credit for the same amount and with the same terms, except the minimum interest rate is now 4%. Amounts outstanding under the line of credit as of September 30, 2009 and 2008 were \$0 and \$100,000, respectively.

11) RETIREMENT PLANS

Vermont Public Radio had a profit-sharing plan that covered all full-time employees who had attained the age of 21 and had completed one year of service. Contributions to the Plan, which ended September 30, 2008 were at the discretion of the Board of Directors, and totaled \$134,618 for the year ending September 30, 2008.

VPR also sponsored a salary deferral plan that met the requirements of Section 403(b) of the Internal Revenue Code and covered substantially all full-time employees of Vermont Public Radio that had 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. This plan ended on September 30, 2008.

On October 1, 2008, Vermont Public Radio implemented a new employee retirement plan for all employees of VPR who have attained the age of 21 and have completed a month of service. Total contributions to the plan for the year ended September 30, 2009 were \$110,936.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

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11) RETIREMENT PLANS (continued)

The new employee retirement plan is a 401(k) defined contribution plan. Employee contributions include a safe harbor match in which VPR will match 100% of the first 3% of salary deferrals and 50% of the next 2% of salary deferrals up to a maximum match of 4%. Also included is a pledged profit-sharing plan, in which VPR will contribute 2% of annual compensation to each employee's account. Salary deferrals are not required to receive this benefit. In addition, there is a discretionary profit-sharing plan in which VPR, at its discretion, may make additional contributions for each employee based on a percentage of annual compensation.

12) OPERATING LEASES

Vermont Public Radio leases various equipment, transmitting facilities and sites and storage areas under operating leases that expire through 2014. Rent expense for these leases was \$146,205 and \$126,377 for the years ended September 30, 2009 and 2008, respectively.

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

| | |
|------|-------------------|
| 2010 | \$ 128,800 |
| 2011 | 105,700 |
| 2012 | 67,200 |
| 2013 | 48,500 |
| 2014 | <u>36,400</u> |
| | <u>\$ 386,600</u> |

13) RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the purchase of equipment and signal expansion.

In April 2008, Vermont Public Radio received an opinion letter from an attorney in Burlington, Vermont regarding the restriction of charitable donations to the "Creating a Sound Future Endowment Campaign". In summary, he advised that adding campaign donations to a specific endowment fund "Creating a Sound Future Endowment" was reasonable and through such action, and per institutional policy, the funds donated would be invested in perpetuity with the total income from these investments to be used for the stated purpose of the Fund.

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13) RESTRICTED NET ASSETS (continued)

Permanently restricted net assets as of September 30, 2009 and 2008 consist of donor-restricted funds to be held in perpetuity as follows:

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Creating a Sound Future: | | |
| Beneficial interests in trusts | \$ 1,298,395 | \$ 991,518 |
| Direct gifts and pledges | <u>6,785,545</u> | <u>6,681,140</u> |
| Subtotal - Creating a Sound Future | 8,083,940 | 7,672,658 |
| Charles and Terry Phillips Classical Music Fund | <u>1,002,497</u> | <u>1,002,497</u> |
| | <u>\$ 9,086,437</u> | <u>\$ 8,675,155</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 in accordance with VPR's spending policy as described in Note 7.

14) 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.

15) CONCENTRATIONS

Amounts on deposit in excess of the FDIC limit (\$250,000) were \$332,919 as of September 30, 2009. On September 30, 2008, the FDIC limit was \$100,000 and VPR's deposits in excess of this limit were \$513,858.

At September 30, 2009, there were seven outstanding pledges to the Creating a Sound Future (CSF) Campaign that accounted for approximately \$927,000, or 54%, of total pledges receivable. At September 30, 2008, there were eight pledges to the CSF Campaign that accounted for approximately \$1,437,000, or 64%, of the total pledges receivable.

16) SUBSEQUENT EVENTS

Vermont Public Radio has evaluated events and transactions for potential recognition or disclosure through January 28, 2010, the date the financial statements were available to be issued.

VERMONT PUBLIC RADIO

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17) RELATED PARTY TRANSACTIONS

Included in pledges receivable at September 30, 2009 and 2008 is approximately \$691,959 and \$1,916,351, respectively, 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 \$635,693 and \$628,000 in 2009 and 2008, respectively, to National Public Radio for programming and other fees. During fiscal year 2008, the former VPR president was a member of the Board of Directors of National Public Radio.

In 2005, Vermont Public Radio developed a "retention compensation program" for a select key employee. The program required VPR to accrue \$15,000 annually in anticipation of a six-month sabbatical for which Vermont Public Radio would pay \$75,000. In accordance with the agreement, VPR awarded this compensation in fiscal year 2009.

18) 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.

In 2007, Vermont Public Radio acquired a new transmitter and antenna equipment valued at \$30,000 through a grant received from the National Telecommunications and Information Administration (NTIA) of the United States Department of Commerce. Under the terms of the grant, 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 completion date of the project or the acquisition of the equipment.