

VERMONT PUBLIC RADIO
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

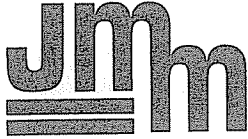
VERMONT PUBLIC RADIO
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008 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 2007 financial statements and, in our report dated January 7, 2008, 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, 2008, 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

June 24, 2009

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

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VERMONT PUBLIC RADIO

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)
A S S E T S

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
CURRENT ASSETS					
Cash and cash equivalents (Note 14)	\$ 622,332	-	\$ -	\$ 622,332	\$ 414,146
Underwriting receivable, net (Note 3)	252,337	-	-	252,337	384,052
Grants and other receivables	74,891	-	-	74,891	62,548
Pledges receivable (Note 2)	165,190	50,000	670,000	885,190	1,044,625
Prepaid expenses	107,203	-	-	107,203	126,910
TOTAL CURRENT ASSETS	<u>1,221,953</u>	<u>50,000</u>	<u>670,000</u>	<u>1,941,953</u>	<u>2,032,281</u>
PROPERTY AND EQUIPMENT					
Land, buildings and equipment (Note 5)	10,044,776	-	-	10,044,776	9,767,658
Less accumulated depreciation	(3,839,164)	-	-	(3,839,164)	(3,321,481)
TOTAL PROPERTY AND EQUIPMENT	<u>6,205,612</u>	<u>-</u>	<u>-</u>	<u>6,205,612</u>	<u>6,446,177</u>
OTHER ASSETS					
Investments (Note 6)	1,833,450	55,878	5,729,648	7,618,976	8,355,151
Pledges receivable, net of current portion (Note 2)	-	88,870	1,283,989	1,372,859	1,405,764
Equipment deposits (Note 4)	204,396	-	-	204,396	-
Beneficial interest in trusts (Note 7)	-	-	991,518	991,518	641,377
TOTAL OTHER ASSETS	<u>2,037,846</u>	<u>144,748</u>	<u>8,005,155</u>	<u>10,187,749</u>	<u>10,402,292</u>
TOTAL ASSETS	<u>\$ 9,465,411</u>	<u>\$ 194,748</u>	<u>\$ 8,675,155</u>	<u>\$ 18,335,314</u>	<u>\$ 18,880,750</u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
CURRENT LIABILITIES					
Current portion of long-term debt (Note 8)	\$ 331,490	-	-	\$ 331,490	\$ 308,680
Note payable - line of credit (Note 9)	100,000	-	-	100,000	-
Accounts payable	385,659	-	-	385,659	176,403
Accrued payroll	243,627	-	-	243,627	256,881
Deferred income	129,704	-	-	129,704	-
TOTAL CURRENT LIABILITIES	<u>1,190,480</u>	<u>-</u>	<u>-</u>	<u>1,190,480</u>	<u>741,964</u>
LONG-TERM LIABILITIES					
Note payable, net of current portion (Note 8)	325,180	-	-	325,180	656,670
Charitable gift annuity payable (Note 7)	15,675	-	-	15,675	11,355
TOTAL LONG-TERM LIABILITIES	<u>340,855</u>	<u>-</u>	<u>-</u>	<u>340,855</u>	<u>668,025</u>
TOTAL LIABILITIES	<u>1,531,335</u>	<u>-</u>	<u>-</u>	<u>1,531,335</u>	<u>1,409,989</u>
NET ASSETS					
Unrestricted	21,964	-	-	21,964	1,080,935
Undesignated	2,363,170	-	-	2,363,170	2,900,154
Board-designated reserves (Note 13)	5,548,942	-	-	5,548,942	5,480,827
Net property and equipment	7,934,076	-	-	7,934,076	9,461,916
Subtotal - unrestricted	-	194,748	-	194,748	239,408
Temporarily restricted (Note 12)	-	-	8,675,155	8,675,155	7,769,437
Permanently restricted (Note 12)	7,934,076	194,748	8,675,155	16,803,979	17,470,761
TOTAL NET ASSETS	<u>7,934,076</u>	<u>194,748</u>	<u>8,675,155</u>	<u>16,803,979</u>	<u>17,470,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,465,411</u>	<u>\$ 194,748</u>	<u>\$ 8,675,155</u>	<u>\$ 18,335,314</u>	<u>\$ 18,880,750</u>

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
SUPPORT AND REVENUE					
Memberships	\$ 3,246,344	-	-	\$ 3,246,344	\$ 3,058,090
Contributions - operating	54,417	-	-	54,417	72,514
Contributions - capital	-	5,340	-	5,340	239,786
Underwriting	1,927,706	-	-	1,927,706	2,161,548
Bequests	10,159	-	-	10,159	72,231
Grants	857,103	-	-	857,103	1,023,648
Telecasting, production and other income	310,772	-	-	310,772	89,066
Interest and dividends	289,235	-	-	289,235	269,885
Realized gain on investments	976,613	-	-	976,613	173,345
Unrealized gain (loss) on investments	(2,352,204)	-	-	(2,352,204)	661,536
Gain on disposal of assets	553	-	-	553	26,170
Donated goods and services	369,639	-	-	369,639	369,457
	5,690,337	5,340	-	5,695,677	8,217,276
	50,000	(50,000)	-	-	-
Net assets released from restrictions		(44,660)	-	5,695,677	8,217,276
TOTAL SUPPORT AND REVENUE	5,740,337	(44,660)	-	5,695,677	8,217,276
EXPENSES					
Program services	5,044,055	-	-	5,044,055	4,523,984
Management and general	1,005,391	-	-	1,005,391	847,545
Fundraising and membership development	1,218,731	-	-	1,218,731	1,131,678
TOTAL EXPENSES	7,268,177	-	-	7,268,177	6,503,207
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (LOSS) (forward)	\$ (1,527,840)	\$ (44,660)	\$ -	\$ (1,572,500)	\$ 1,714,069

See accompanying notes.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (LOSS) (forwarded)	\$ (1,527,840)	\$ (44,660)	\$ -	\$ (1,572,500)	\$ 1,714,069
NON-OPERATING INCOME (EXPENSE)					
Endowment contributions	182,883	-	555,577	738,460	1,300,196
Change in beneficial interest in trusts	-	-	350,141	350,141	42,568
Endowment expenses	(182,883)	-	-	(182,883)	(109,851)
TOTAL NON-OPERATING INCOME (EXPENSE)	-	-	905,718	905,718	1,232,913
CHANGE IN NET ASSETS	(1,527,840)	(44,660)	905,718	(666,782)	2,946,982
BEGINNING NET ASSETS	9,461,916	239,408	7,769,437	17,470,761	14,523,779
ENDING NET ASSETS	\$ 7,934,076	\$ 194,748	\$ 8,675,155	\$ 16,803,979	\$ 17,470,761

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	Program Services	Management and General	Fundraising and Membership Development	Endowment	2008 Total	2007 Total
Salaries and wages	\$ 1,792,500	\$ 469,822	\$ 465,548	\$ 75,330	\$ 2,803,200	\$ 2,453,272
Payroll taxes and employee benefits	536,242	137,866	115,091	24,315	813,514	710,020
Subtotal - Personnel	<u>2,328,742</u>	<u>607,688</u>	<u>580,639</u>	<u>99,645</u>	<u>3,616,714</u>	<u>3,163,292</u>
Advertising	99,422	995	2,615	-	103,032	91,818
Bad debt	-	-	59,486	-	59,486	53,559
Bank and credit card fees	-	1,583	69,336	-	70,919	61,522
Building and equipment rent	124,135	1,210	1,032	-	126,377	111,543
Computer and satellite expense	118,066	17,002	31,604	-	166,672	132,471
Depreciation and amortization	417,120	97,201	6,464	-	520,785	442,130
Donated supplies and services	309,979	-	59,660	-	369,639	365,457
Interest	60,369	1,735	-	-	62,104	5,968
Investment fees	-	52,315	-	41,655	93,970	32,278
Memberships and subscriptions	19,047	26,540	6,664	245	52,496	39,863
Miscellaneous	47,652	19,850	1,490	(2,006)	66,986	73,132
Occupancy	231,357	36,011	27,995	2,843	298,206	270,450
Postage and shipping	13,009	3,996	131,765	975	149,745	128,175
Premiums and packaging	-	-	56,455	-	56,455	57,172
Printing and production	11,097	2,047	79,894	4,312	97,350	66,388
Professional fees	144,096	67,942	15,809	23,991	251,838	263,358
Program acquisition fees	783,724	-	-	-	783,724	756,356
Program affiliation	100,205	-	-	-	100,205	109,603
Special events and projects	831	-	40,188	6,814	47,833	25,537
Supplies	24,941	9,175	10,510	459	45,085	66,773
Telecommunications	101,760	21,650	7,818	984	132,212	139,569
Travel and conferences	108,503	38,451	29,307	2,966	179,227	156,644
TOTAL EXPENSES	<u>\$ 5,044,055</u>	<u>\$ 1,005,391</u>	<u>\$ 1,218,731</u>	<u>\$ 182,883</u>	<u>\$ 7,451,060</u>	<u>\$ 6,613,058</u>

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (666,782)	\$ 2,946,982
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	520,785	442,130
Gain on disposal of assets	(553)	(26,170)
Donated capital assets	-	(4,000)
Gifts restricted for endowment	(555,577)	(1,190,345)
Gifts restricted for capital purchases	(5,340)	(239,408)
Change in provision for uncollectible pledges receivable	2,030	(25,479)
Change in provision for uncollectible underwriting receivable	24,567	10,000
Amortization of discount on pledges receivable	64,158	8,435
Realized gain on investments	(976,613)	(173,345)
Unrealized (gain) losses on investments	2,352,204	(661,536)
Change in beneficial interest in trust	(350,141)	(42,568)
(Increase) decrease in:		
Underwriting receivables	107,148	(202,210)
Grants and other receivables	(12,343)	(10,920)
Pledges receivable	(132,594)	107,607
Prepaid expenses	19,707	5,804
Increase (decrease) in:		
Accounts payable	209,256	(9,001)
Accrued payroll	(13,254)	9,028
Deferred income	129,704	(77,057)
Charitable gift annuities payable	4,320	(3,210)
 Total adjustments	 1,387,464	 (2,082,245)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 720,682	 864,737
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	6,800	10,500
Purchases of property, equipment and intangibles	(282,711)	(2,617,828)
Equipment deposits paid	(204,396)	-
Proceeds from sales of investment securities	7,838,607	1,270,868
Purchases of investment securities	(8,476,439)	(2,134,034)
 NET CASH USED BY INVESTING ACTIVITIES	 (1,118,139)	 (3,470,494)

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment gifts received	\$ 764,323	\$ 1,145,141
Capital gifts received	50,000	68,027
Proceeds from line of credit	100,000	-
Proceeds from issuance of long-term debt	-	990,000
Principal payments on long-term debt	<u>(308,680)</u>	<u>(24,650)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>605,643</u>	<u>2,178,518</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	208,186	(427,239)
BEGINNING CASH AND CASH EQUIVALENTS	<u>414,146</u>	<u>841,385</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 622,332</u>	<u>\$ 414,146</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 62,104</u>	<u>\$ 5,968</u>
Income taxes paid	<u>\$ 3,900</u>	<u>\$ 1,573</u>

See accompanying notes.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 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, WVTI-FM in Brighton/Island Pond, 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, 2008
(WITH COMPARATIVE TOTALS FOR 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, 2008
(WITH COMPARATIVE TOTALS FOR 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 \$297,954 and \$322,412 in 2008 and 2007, including donated advertising of \$194,922 and \$230,594 for the years ended September 30, 2008 and 2007, respectively.

2) PLEDGES RECEIVABLE

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

	<u>2008</u>	<u>2007</u>
Unrestricted promises:		
Membership	\$ 204,430	\$ 67,011
Bequest receivable	-	4,800
WNCH	-	25
	<hr/>	<hr/>
Subtotal (forwarded)	\$ 204,430	\$ 71,836

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

2) PLEDGES RECEIVABLE (continued)

	2008	2007
Subtotal (carried forward)	\$ 204,430	\$ 71,836
Restricted promises:		
Capital purchases	144,121	194,121
Creating A Sound Future	2,262,881	2,471,627
Subtotal - promises to give	2,611,432	2,737,584
Less discount	(155,636)	(91,478)
Less allowance for uncollectible pledges	(197,747)	(195,717)
	\$ 2,258,049	\$ 2,450,389
Promises to give are due in:		
Less than one year	\$ 885,190	\$ 1,044,625
One to five years	1,372,859	1,405,764
	\$ 2,258,049	\$ 2,450,389

Pledges receivable in more than one year have been discounted at 5% and 4% at September 30, 2008 and 2007, respectively.

3) UNDERWRITING RECEIVABLE

Underwriting receivable consists of the following at September 30:

	2008	2007
Due within one year	\$ 312,337	\$ 419,052
Less allowance for uncollectible accounts	(60,000)	(35,000)
	\$ 252,337	\$ 384,052

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

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. Equipment deposits were \$204,396 and \$0 for the years ended September 30, 2008 and 2007, respectively.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2008</u>	<u>2007</u>
Building	\$ 464,720	\$ 464,720
Frequencies and towers	2,951,718	2,762,335
Transmitters, antennae and satellites	2,921,792	2,645,274
Building improvements	1,638,044	1,634,044
Studio equipment	826,016	827,650
Furniture and equipment	1,036,952	998,762
Transportation equipment	54,687	51,486
Assets not yet in service	150,847	383,387
	<u>10,044,776</u>	<u>9,767,658</u>
Less accumulated depreciation	<u>(3,839,164)</u>	<u>(3,321,481)</u>
	<u>\$ 6,205,612</u>	<u>\$ 6,446,177</u>

Depreciation and amortization expense was \$520,785 and \$442,130 for the years ended September 30, 2008 and 2007, respectively.

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

	<u>2008</u>	<u>2007</u>
Frequencies not utilized	\$ -	\$ 147,000
Architectural studies on Colchester building	70,531	55,293
Digital licenses	-	10,000
Technology and other equipment	80,316	171,094
	<u>\$ 150,847</u>	<u>\$ 383,387</u>

6) INVESTMENTS

Investments consist of the following at September 30, 2008:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and money funds	\$ 2,204,233	\$ 2,204,233	\$ -
Preferred stock	5,880	3,812	(2,068)
Equity securities	6,533,578	5,342,210	(1,191,368)
Alternative investment	82,250	68,721	(13,529)
	<u>\$ 8,825,941</u>	<u>\$ 7,618,976</u>	<u>\$ (1,206,965)</u>

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

6) INVESTMENTS (continued)

Investments consist of the following at September 30, 2007:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation</u>
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
	<u>\$ 7,209,912</u>	<u>\$ 8,355,151</u>	<u>\$ 1,145,239</u>

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

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 289,235	\$ 269,885
Net realized gain on sale of investments	976,613	173,345
Net unrealized gain (loss) on investments	<u>(2,352,204)</u>	<u>661,536</u>
Total investment return	<u>\$ (1,086,356)</u>	<u>\$ 1,104,766</u>

Fees and commissions paid to investment managers were \$93,970 and \$32,278 for the years ended September 30, 2008 and 2007, respectively.

7) 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 (4.2% and 5.8% at September 30, 2008 and 2007, respectively). Net present value of beneficial interest was \$991,518 and \$641,377 at September 30, 2008 and 2007, 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. Net charitable gift annuity payable was \$15,675 and \$11,355 at September 30, 2008 and 2007, respectively.

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8) LONG-TERM DEBT

Notes payable consist of the following at September 30:

	2008	2007
Chittenden Bank:		
Frequency acquisition note payable in monthly installments of \$30,618, including interest at 7%, due July 2010, unsecured	\$ 656,670	\$ 965,350
Less current portion	(331,490)	(308,680)
	\$ 325,180	\$ 656,670

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

2009	\$ 331,490	
2010	325,180	
	\$ 656,670	

Interest expense was \$62,104 and \$5,968 for the years ended September 30, 2008 and 2007, respectively.

9) 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 bears interest at the Wall Street Journal prime rate (3.5% and 8.25% at September 30, 2008 and 2007, respectively) and matured on March 31, 2009. The amounts outstanding under the line of credit as of September 30, 2008 and 2007 were \$100,000 and \$0, respectively.

10) 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 \$134,618 and \$112,625 for the years ended September 30, 2008 and 2007, respectively.

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.

On September 30, 2008, Vermont Public Radio terminated the existing employee retirement plans. A new employee retirement plan, for all employees of VPR who have attained the age of twenty-one and have completed a month of service, was launched on October 1, 2008.

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10) RETIREMENT PLANS (continued)

The new employee retirement plan is a 401k 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% on 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 their annual compensation.

11) OPERATING LEASES

Vermont Public Radio leases various equipment, transmitting facilities and sites and storage areas under operating leases that expire through 2013. Rent expense for these leases was \$126,377 and \$111,543 for the years ended September 30, 2008 and 2007, respectively.

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

2009	\$	101,000
2010		74,000
2011		51,000
2012		12,700
2013		2,300
		241,000
	\$	241,000

12) RESTRICTED NET ASSETS

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

Permanently restricted net assets as of September 30, 2008 and 2007 consist of donor-restricted funds to be held in perpetuity as follows:

	2008	2007
Creating a Sound Future:		
Beneficial interests in trusts	\$ 991,518	\$ 641,377
Direct gifts and pledges	6,681,140	6,125,563
Subtotal - Creating a Sound Future	7,672,658	6,766,940
Charles and Terry Phillips Classical Music Fund	1,002,497	1,002,497
	\$ 8,675,155	\$ 7,769,437

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.

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12) RESTRICTED NET ASSETS (continued)

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.

13) 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.

14) CONCENTRATIONS

Amounts on deposit in excess of the FDIC limit (\$100,000) were \$513,858 and \$634,891 as of September 30, 2008 and 2007, respectively. In October 2008, the FDIC limit was raised to \$250,000.

At September 30, 2008, there were seven pledges to the Creating a Sound Future (CSF) Campaign that accounted for approximately \$1,437,000, or 64%, of total pledges receivable. At September 30, 2007, there were seven pledges to the CSF Campaign that accounted for approximately \$1,995,710, or 81% of the total pledges receivable.

15) RELATED PARTY TRANSACTIONS

Included in pledges receivable at September 30, 2008 and 2007 is approximately \$1,916,351 and \$1,042,049, 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 \$628,000 and \$608,000 in 2008 and 2007, respectively, to National Public Radio for programming and other fees. During fiscal years 2008 and 2007, the 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 will pay \$75,000. In accordance with the agreement, VPR awarded this compensation in fiscal year 2009.

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16) 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.

17) RADIO SIGNAL

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 service and replaced by news and talk programming.