

**VERMONT PUBLIC RADIO
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

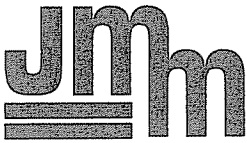
VERMONT PUBLIC RADIO
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010 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 2009 financial statements and, in our report dated January 28, 2010, 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, 2010, 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

February 17, 2011

VERMONT PUBLIC RADIO

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)
ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
CURRENT ASSETS					
Cash and cash equivalents (Note 15)	\$ 38,260	\$ 219,810	\$ -	\$ 258,070	\$ 160,300
Underwriting receivable, net (Note 3)	211,072	-	-	211,072	217,954
Grants and other receivables	77,149	-	-	77,149	39,056
Pledges receivable, net (Note 2)	471,157	137,000	361,000	969,157	1,127,095
Prepaid expenses	76,458	-	-	76,458	76,490
TOTAL CURRENT ASSETS	874,096	356,810	361,000	1,591,906	1,620,895
PROPERTY AND EQUIPMENT					
Land, buildings and equipment (Note 5)	11,567,123	-	-	11,567,123	10,805,570
Less accumulated depreciation	(4,807,556)	-	-	(4,807,556)	(4,324,038)
TOTAL PROPERTY AND EQUIPMENT	6,759,567	-	-	6,759,567	6,481,532
OTHER ASSETS					
Long-term investments (Note 6)	1,041,517	-	6,985,049	8,026,566	7,272,141
Investments - other	360,042	56,869	-	416,911	326,335
Pledges receivable, net (Note 2)	-	33,812	444,121	477,933	594,890
Beneficial interest in trusts (Note 8)	-	-	1,800,664	1,800,664	1,298,395
TOTAL OTHER ASSETS	1,401,559	90,681	9,229,834	10,722,074	9,491,761
TOTAL ASSETS	\$ 9,035,222	\$ 447,491	\$ 9,590,834	\$ 19,073,547	\$ 17,594,188

See accompanying notes.

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
CURRENT LIABILITIES					
Current portion of long-term debt (Note 9)	\$ 108,000	-	-	\$ 108,000	\$ 325,330
Accounts payable	243,872	-	-	243,872	86,441
Accrued payroll	272,124	-	-	272,124	268,965
Deferred income	82,944	-	-	82,944	19,891
TOTAL CURRENT LIABILITIES	<u>706,940</u>	<u>-</u>	<u>-</u>	<u>706,940</u>	<u>700,627</u>
LONG-TERM LIABILITIES					
Note payable, net (Note 9)	327,970	-	-	327,970	-
Charitable gift annuity payable (Note 8)	5,382	-	-	5,382	11,067
TOTAL LONG-TERM LIABILITIES	<u>333,352</u>	<u>-</u>	<u>-</u>	<u>333,352</u>	<u>11,067</u>
TOTAL LIABILITIES	<u>1,040,292</u>	<u>-</u>	<u>-</u>	<u>1,040,292</u>	<u>711,694</u>
NET ASSETS					
Unrestricted	(262,231)	-	-	(262,231)	(512,450)
Undesignated	1,933,564	-	-	1,933,564	1,890,578
Board-designated reserves (Note 14)	6,323,597	-	-	6,323,597	6,156,202
Net property and equipment	7,994,930	-	-	7,994,930	7,534,330
Subtotal - unrestricted	-	447,491	-	447,491	261,727
Temporarily restricted (Note 13)	-	-	9,590,834	9,590,834	9,086,437
Permanently restricted (Note 13)	-	-	-	-	-
TOTAL NET ASSETS	<u>7,994,930</u>	<u>447,491</u>	<u>9,590,834</u>	<u>18,033,255</u>	<u>16,882,494</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,035,222</u>	<u>\$ 447,491</u>	<u>\$ 9,590,834</u>	<u>\$ 19,073,547</u>	<u>\$ 17,594,188</u>

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

CHANGE IN NET ASSETS FROM OPERATIONS	Unrestricted	Temporarily Restricted	Permanently Restricted	2010		2009	
				Total	Total	Total	Total
SUPPORT AND REVENUE							
Memberships	\$ 3,363,162	\$ -	\$ -	\$ 3,363,162	\$ 3,313,417		
Contributions - operating	8,000	100,000	-	108,000	8,000		
Underwriting	1,587,338	-	-	1,587,338	1,605,612		
Grants	698,906	-	-	698,906	661,603		
Special events and projects	309,184	-	-	309,184	27,319		
Investment return designated for current operations	212,607	-	-	212,607	430,107		
Telecasting, production and other income	126,922	-	-	126,922	182,767		
Gain on disposal of assets	1,615	-	-	1,615	3,065		
Donated goods and services	607,120	-	-	607,120	448,336		
Subtotal	6,914,854	100,000	-	7,014,854	6,680,226		
Net assets released for operating purposes	8,154	(8,154)	-	-	-		
TOTAL SUPPORT AND REVENUE	6,923,008	91,846	-	7,014,854	6,680,226		
EXPENSES							
Program services	4,975,976	-	-	4,975,976	4,871,809		
Management and general	896,656	-	-	896,656	918,377		
Fundraising and membership development	1,344,369	-	-	1,344,369	1,163,375		
TOTAL EXPENSES	7,217,001	-	-	7,217,001	6,953,561		
CHANGE IN NET ASSETS FROM OPERATIONS (forward)	\$ (293,993)	\$ 91,846	\$ -	\$ (202,147)	\$ (273,335)		

See accompanying notes.

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
CHANGE IN NET ASSETS FROM OPERATIONS (forwarded)	\$ (293,993)	\$ 91,846	\$ -	\$ (202,147)	\$ (273,335)
NON-OPERATING INCOME (EXPENSE)					
Endowment contributions	22,282	-	2,128	24,410	187,233
Change in beneficial interest in trusts	-	-	502,269	502,269	306,877
Grants - capital	40,000	-	-	40,000	158,497
Contributions - capital	-	93,918	-	93,918	116,979
Bequests	222,143	-	-	222,143	235,146
Non-operating investment income (loss), net	492,450	-	-	492,450	(570,054)
Endowment expenses	(22,282)	-	-	(22,282)	(82,828)
Subtotal	754,593	93,918	504,397	1,352,908	351,850
TOTAL NON-OPERATING INCOME (EXPENSE)	460,600	185,764	504,397	1,150,761	78,515
TOTAL CHANGE IN NET ASSETS	7,534,330	261,727	9,086,437	16,882,494	16,803,979
BEGINNING NET ASSETS	\$ 7,994,930	\$ 447,491	\$ 9,590,834	\$ 18,033,255	\$ 16,882,494

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	Program Services	Management and General	Fundraising and Membership Development	Endowment	2010 Total	2009 Total
Salaries and wages	\$ 1,827,992	\$ 470,400	\$ 427,371	\$ -	\$ 2,725,763	\$ 2,630,709
Payroll taxes	148,796	36,455	34,478	-	219,729	217,864
Pension expense	56,498	9,865	14,943	-	81,306	116,048
Employee benefits	301,597	74,124	75,582	-	451,303	438,635
Subtotal - Personnel	2,334,883	590,844	552,374	-	3,478,101	3,403,256
Program acquisitions and affiliations	874,009	-	-	-	874,009	875,007
Donated supplies and services	441,917	31,136	132,513	-	605,566	448,336
Office expenses	107,639	25,626	402,165	-	535,430	389,251
Depreciation and amortization	442,008	70,760	3,785	-	516,553	521,035
Occupancy	365,345	28,568	25,817	-	419,730	358,081
Professional fees	127,298	41,746	108,911	-	277,955	348,091
Information technology	181,082	18,305	25,962	-	225,349	257,928
Bad debt	-	(74)	52,198	22,282	74,406	173,345
Travel	45,676	(688)	12,403	-	57,391	68,542
Insurance	6,250	32,373	-	-	38,623	44,258
Conferences and meetings	18,640	11,971	4,790	-	35,401	11,922
Accounting fees	-	33,766	-	-	33,766	33,656
Advertising	14,109	1,060	9,033	-	24,202	14,069
Interest	17,120	-	-	-	17,120	37,843
Miscellaneous	-	1,436	12,739	-	14,175	23,567
Legal fees	-	9,827	1,679	-	11,506	28,202
TOTAL EXPENSES	\$ 4,975,976	\$ 896,656	\$ 1,344,369	\$ 22,282	\$ 7,239,283	\$ 7,036,389

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership income received	\$ 3,245,460	\$ 3,052,392
Contributions and bequests	589,327	243,146
Grants received	683,866	775,935
Underwriting received	1,594,220	1,639,995
Other operating receipts	126,922	210,086
Operating investment income	212,607	430,107
Cash paid for personnel	(3,474,942)	(3,377,918)
Cash paid for goods and services	(2,446,391)	(2,838,027)
Interest paid	(17,120)	(37,843)
	513,949	97,873
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	1,615	3,065
Purchases of property, equipment and intangibles	(793,719)	(556,207)
Proceeds from sales of investment securities	307,827	183,252
Purchases of investment securities	(699,693)	(845,310)
	(1,183,970)	(1,215,200)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment gifts received	487,086	1,005,895
Capital gifts received	175,750	85,348
Proceeds from issuance of long-term debt	435,970	-
Principal payments on long-term debt	(325,330)	(331,340)
Annuity payments	(5,685)	(4,608)
Decrease in line of credit	-	(100,000)
	767,791	655,295
NET CASH PROVIDED BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	97,770	(462,032)
BEGINNING CASH AND CASH EQUIVALENTS	160,300	622,332
ENDING CASH AND CASH EQUIVALENTS	\$ 258,070	\$ 160,300

See accompanying notes.

VERMONT PUBLIC RADIO

STATEMENT OF CASH FLOWS (CONTINUED)

**FOR THE YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)**

	2010	2009
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,150,761	\$ 78,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	516,553	521,035
Gain on disposal of fixed assets	(1,615)	(3,065)
Donated capital assets	(1,554)	(34,407)
Gifts restricted for endowment	(24,410)	(187,233)
Gifts restricted for capital purchases	(93,918)	(116,979)
Change in provision for uncollectible pledges receivable	-	122,760
Amortization of discount on pledges receivable	(21,911)	(2,143)
Non-operating investment (income) loss	(492,450)	570,054
Change in beneficial interest in trusts	(502,269)	(306,877)
(Increase) decrease in:		
Underwriting receivables	6,882	34,383
Pledges receivable	(167,702)	(261,025)
Grants and other receivables	(38,093)	35,835
Prepaid expenses	32	30,713
Increase (decrease) in:		
Accounts payable	157,431	(299,218)
Accrued payroll	3,159	25,338
Deferred income	23,053	(109,813)
Total adjustments	(636,812)	19,358
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 513,949	\$ 97,873

See accompanying notes.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

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, WOXR-FM in Burlington, WOXM-FM in Middlebury, and WVXR-FM in Randolph. 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, 2009, 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, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

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, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

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 \$24,202 and \$14,069 for the years ended September 30, 2010 and 2009, respectively. Additionally, VPR received donated advertising from trade agreements with area not-for-profit organizations. Total donated advertising was \$365,981 and \$315,598 for the years ended September 30, 2010 and 2009, 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, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

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>2010</u>	<u>2009</u>
Unrestricted promises to give:		
Membership	\$ 583,157	\$ 465,455
Bequest	50,000	-
	<u>633,157</u>	<u>465,455</u>
Less allowance for uncollectible pledges	<u>(162,000)</u>	<u>(162,000)</u>
Subtotal - net unrestricted promises to give	<u>471,157</u>	<u>303,455</u>
Restricted promises to give:		
Capital purchases	173,920	175,752
Creating A Sound Future endowment	981,543	1,444,219
Subtotal - promises to give	<u>1,155,463</u>	<u>1,619,971</u>
Less discount on pledges receivable	<u>(35,108)</u>	<u>(57,019)</u>
Less allowance for uncollectible pledges	<u>(144,422)</u>	<u>(144,422)</u>
Subtotal - net restricted promises to give	<u>975,933</u>	<u>1,418,530</u>
	<u>\$ 1,447,090</u>	<u>\$ 1,721,985</u>
Promises to give are due in:		
Less than one year	\$ 969,157	\$ 1,127,095
One to five years	477,933	594,890
	<u>\$ 1,447,090</u>	<u>\$ 1,721,985</u>

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

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

3) UNDERWRITING RECEIVABLE

Underwriting receivable consists of the following at September 30:

	2010	2009
Due within one year	\$ 241,072	\$ 277,954
Less allowance for uncollectible accounts	(30,000)	(60,000)
	\$ 211,072	\$ 217,954

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 as of September 30, 2010 and 2009.

5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2010	2009
Building	\$ 464,720	\$ 464,720
Frequencies and towers	3,411,580	2,951,718
Transmitters, antennae and satellites	3,707,980	3,680,393
Building improvements	1,778,897	1,689,980
Studio equipment	830,952	824,804
Furniture and equipment	1,028,358	1,044,654
Transportation equipment	58,729	58,729
Assets not yet in service	285,907	90,572
	11,567,123	10,805,570
Less accumulated depreciation	(4,807,556)	(4,324,038)
	\$ 6,759,567	\$ 6,481,532

Depreciation and amortization expense was \$516,553 and \$521,035 for the years ended September 30, 2010 and 2009, respectively.

VERMONT PUBLIC RADIO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

5) PROPERTY AND EQUIPMENT (continued)

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

	<u>2010</u>	<u>2009</u>
Architectural studies on Colchester building	\$ 38,753	\$ 55,531
Digital licenses	83,954	30,211
Technology and other equipment	138,708	4,830
Transmission and transmitter equipment	24,492	-
	<u>\$ 285,907</u>	<u>\$ 90,572</u>

6) INVESTMENTS

Vermont Public Radio's investments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Investments in debt securities and equity securities with readily determinable fair values are carried at fair value determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1 inputs). Alternative investments consisting of a venture capital fund are carried at the lower of cost or fair value, as determined by the fund manager (Level 3 inputs).

Long-term investments consisted of the following at:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
September 30, 2010:			
Cash and money funds	\$ 532,631	\$ 532,631	\$ -
Corporate bonds	2,195,400	2,450,921	255,521
Equity securities	4,782,763	4,601,942	(180,821)
Asset-backed securities	20,221	22,153	1,932
Mutual funds	287,481	281,739	(5,742)
Alternative investments	137,180	137,180	-
	<u>\$ 7,955,676</u>	<u>\$ 8,026,566</u>	<u>\$ 70,890</u>
September 30, 2009:			
Cash and money funds	\$ 861,398	\$ 861,398	\$ -
Corporate bonds	1,541,076	1,689,737	148,661
Equity securities	4,448,161	3,881,930	(566,231)
Foreign bonds	475,000	511,233	36,233
Mutual funds	269,419	217,522	(51,897)
Alternative investments	112,455	110,321	(2,134)
	<u>\$ 7,707,509</u>	<u>\$ 7,272,141</u>	<u>\$ (435,368)</u>

VERMONT PUBLIC RADIO
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6) INVESTMENTS (continued)

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>2010</u>	<u>2009</u>
Interest and dividend income	\$ 248,249	\$ 170,788
Net realized gain (loss) on investments	2,290	(1,258,719)
Net unrealized gain on investments	506,258	823,016
Net unrealized gain - donated stock	25,767	194,977
Investment fees	<u>(77,507)</u>	<u>(70,009)</u>
 Total investment return	 <u>\$ 705,057</u>	 <u>\$ (139,947)</u>

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

Operating	\$ 212,607	\$ 430,107
Non-operating	<u>492,450</u>	<u>(570,054)</u>
	 <u>\$ 705,057</u>	 <u>\$ (139,947)</u>

7) ENDOWMENT NET ASSETS

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

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7) ENDOWMENT NET ASSETS (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 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 \$1,056,127 and \$1,209,388 as of September 30, 2010 and 2009, respectively.

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7) ENDOWMENT NET ASSETS (continued)

Endowment net asset composition was as follows as of:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
September 30, 2009:				
Board-designated	\$ 1,890,578	\$ -	\$ -	\$ 1,890,578
Donor-restricted	(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>
September 30, 2010:				
Board-designated	\$ 1,933,564	\$ -	\$ -	\$ 1,933,564
Donor-restricted	(1,056,127)	-	9,590,834	8,534,707
	<u>\$ 877,437</u>	<u>\$ -</u>	<u>\$ 9,590,834</u>	<u>\$ 10,468,271</u>

Changes in endowment net assets were as follows for the years ended September 30, 2009 and 2010:

	<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 gain (loss)	(437,050)	-	-	(437,050)
Investment fees	(70,009)	-	-	(70,009)
Appropriated for expenditure	(375,044)	-	-	(375,044)
Additional withdrawals	(438,436)	-	-	(438,436)
Endowment net assets, September 30, 2009	<u>\$ 681,190</u>	<u>\$ -</u>	<u>\$ 9,086,437</u>	<u>\$ 9,767,627</u>

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7) ENDOWMENT NET ASSETS (continued)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2009	\$ 681,190	\$ -	\$ 9,086,437	\$ 9,767,627
Additional board designations	-	-	-	-
Contributions	22,282	-	2,128	24,410
Increase in beneficial interest in trusts	-	-	502,269	502,269
Administration expenses	(22,282)	-	-	(22,282)
Interest and dividend income	245,326	-	-	245,326
Net realized and unrealized gain (loss)	508,548	-	-	508,548
Investment fees	(77,507)	-	-	(77,507)
Appropriated for expenditure	(212,000)	-	-	(212,000)
Additional withdrawals	(268,120)	-	-	(268,120)
Endowment net assets, September 30, 2010	<u>\$ 877,437</u>	<u>\$ -</u>	<u>\$ 9,590,834</u>	<u>\$ 10,468,271</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 (2.4% and 3.4% at September 30, 2010 and 2009, respectively). The net present value of beneficial interest was \$1,800,664 and \$1,298,395 at September 30, 2010 and 2009, 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 amounts to be recorded in the general assets of VPR. The net charitable gift annuity payable was \$5,382 and \$11,067 at September 30, 2010 and 2009, respectively.

VERMONT PUBLIC RADIO
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9) LONG-TERM DEBT

Notes payable consist of the following at September 30:

	2010	2009
People's United Bank:		
\$935,000 frequency acquisition note payable dated February 2010, requiring interest-only payments for three months from date of initial borrowing (July 2010), at the Wall Street Journal prime rate (subject to minimum 4% rate), then 84 monthly payments including interest at the Federal Home Loan Bank of Boston Rate plus 2.5% (5.45% at September 30, 2010)	\$ 435,970	\$ -
Frequency acquisition note payable in monthly installments of \$30,618, including interest at 7%, due July 2010, unsecured	-	325,330
	435,970	325,330
Less current portion	(108,000)	(325,330)
	\$ 327,970	\$ -

Subsequent to September 30, 2010, Vermont Public Radio borrowed the remaining \$499,030 on the frequency acquisition note signed in 2010.

Interest expense was \$17,120 and \$37,843 for the years ended September 30, 2010 and 2009, respectively.

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

2011	\$ 108,000
2012	122,000
2013	127,000
2014	78,970
	\$ 435,970

10) LINE OF CREDIT

As of September 30, 2009, Vermont Public Radio had a \$400,000 line of credit available from People's United Bank (formerly Chittenden Bank) that bore interest at the Wall Street Journal prime rate (with a minimum rate of 4%) and matured in March 2010. At maturity, the Bank extended the terms of the line of credit to September 2010, at which time a new agreement was executed with the same amount and terms. The effective interest rate was 4% at September 30, 2010 and 2009, and there were no amounts outstanding under the line of credit as of September 30, 2010 and 2009.

VERMONT PUBLIC RADIO

NOTES TO FINANCIAL STATEMENTS

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11) RETIREMENT PLANS

Vermont Public Radio sponsors a 401(k) defined contribution retirement plan for employees that have attained age 21 and have completed one month of service. 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%. 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. Total contributions to the plan were \$81,306 and \$110,936 for the years ended September 30, 2010 and 2009, respectively.

12) OPERATING LEASES

Vermont Public Radio leases various equipment, transmitting facilities and sites and storage areas under operating leases that expire through 2015. Rent expense for these leases was \$223,912 and \$145,649 for the years ended September 30, 2010 and 2009, respectively.

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

2011	\$ 158,000
2012	119,000
2013	108,000
2014	74,000
2015	21,000
	<hr/>
	\$ 480,000

13) RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

	<u>2010</u>	<u>2009</u>
Restricted for equipment purchase and signal expansion	\$ 355,645	\$ 261,727
Journalism fund	91,846	-
	<hr/>	<hr/>
	\$ 447,491	\$ 261,727

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13) 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.

Permanently restricted net assets as of September 30, 2010 and 2009 consist of donor-restricted funds to be held in perpetuity as follows:

	2010	2009
Creating a Sound Future:		
Beneficial interests in trusts	\$ 1,800,664	\$ 1,298,395
Direct gifts and pledges	6,787,673	6,785,545
Subtotal - Creating a Sound Future	8,588,337	8,083,940
Charles and Terry Phillips Classical Music Fund	1,002,497	1,002,497
	\$ 9,590,834	\$ 9,086,437

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 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 \$0 and \$332,919 as of September 30, 2010 and 2009, respectively.

At September 30, 2010, there were five outstanding pledges to the Creating a Sound Future (CSF) Campaign that accounted for approximately \$659,000 or 67%, of total CSF pledges receivable. At September 30, 2009, there were seven outstanding pledges to the CSF Campaign that accounted for approximately \$927,000, or 64%, of the total CSF pledges receivable.

VERMONT PUBLIC RADIO

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16) RELATED PARTY TRANSACTIONS

Included in pledges receivable at September 30, 2010 and 2009 is approximately \$278,328 and \$691,959, respectively, pledged for the Creating a Sound Future Campaign by employees and members of the Board of Directors of VPR.

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.

17) 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.

Vermont Public Radio has commenced negotiations to purchase two radio frequencies in Vermont for an approximate total of \$500,000 and has secured a note payable in that amount.

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18) UNCERTAIN TAX POSITIONS

Vermont Public Radio is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities, primarily tower rental. Vermont Public Radio believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Vermont Public Radio's federal Exempt Organization Business Income Tax Returns (Form 990T) for fiscal years ended September 30, 2007, 2008 and 2009 are subject to examination by the IRS, generally for three years after they were filed.

19) SUBSEQUENT EVENTS

Vermont Public Radio has evaluated events and transactions for potential recognition or disclosure through February 17, 2011, the date the financial statements were available to be issued.