

VERMONT PUBLIC RADIO
Financial Statements and Schedule
(With Independent Auditors' Report)
September 30, 2006 and 2005

VERMONT PUBLIC RADIO
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Vermont Public Radio
Colchester, Vermont

We have audited the accompanying statement of financial position of Vermont Public Radio (the "Station") as of September 30, 2006 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Station'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 the Station's 2005 financial statements and, in our report dated November 14, 2005 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 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 above present fairly, in all material respects, the financial position of Vermont Public Radio as of September 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with auditing standards generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in note 17 to the financial statements Vermont Public Radio changed its method of accounting for underwriting revenue. Accordingly adjustments have been made to the financial statements as of September 30, 2005 to reflect this change in accounting policy.

McSoley McCoy & Co.

November 8, 2006
VT Reg. No. 92-349

VERMONT PUBLIC RADIO
Statement of Financial Position
September 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Cash and cash equivalents (note 11)	\$ 775,815	\$ 65,570	\$ -	\$ 841,385
Unconditional promises to give, net (notes 2 and 7)	2,365,139	-	-	2,365,139
Underwriting receivables, net of allowance for doubtful accounts of \$25,433	191,842	-	-	191,842
Other receivables	51,628	-	-	51,628
Beneficial interest in trusts (note 3)	-	-	557,766	557,766
Prepaid expenses	132,715	-	-	132,715
Investments (notes 5 and 10)	3,929,299	-	2,727,805	6,657,104
Property and equipment, net (notes 6 and 15)	3,385,352	-	-	3,385,352
Intangible assets, net of \$176,615 accumulated amortization	865,728	-	-	865,728
Total assets	\$ 11,697,518	\$ 65,570	\$ 3,285,571	\$ 15,048,659
 Liabilities and net assets:				
Accounts payable	\$ 185,405	\$ -	\$ -	\$ 185,405
Accrued salaries	247,853	-	-	247,853
Deferred income	77,057	-	-	77,057
Other liabilities (note 16)	14,565	-	-	14,565
Total liabilities	524,880	-	-	524,880
 Unrestricted net assets:				
Designated by the Board to function as an endowment (note 8)	2,868,772	-	-	2,868,772
Plant and intangibles	4,251,080	-	-	4,251,080
Undesignated	4,052,786	-	-	4,052,786
 Total net assets:				
Unrestricted net assets	11,172,638	-	-	11,172,638
Temporarily restricted net assets (note 9)	-	65,570	-	65,570
Permanently restricted net assets (note 10)	-	-	3,285,571	3,285,571
Total net assets	11,172,638	65,570	3,285,571	14,523,779
Total liabilities and net assets	\$ 11,697,518	\$ 65,570	\$ 3,285,571	\$ 15,048,659

The accompanying notes to financial statements are an integral part of this statement.

VERMONT PUBLIC RADIO
Statement of Financial Position
September 30, 2005

		(restated)		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Cash and cash equivalents	\$ 783,392	\$ -	\$ -	\$ 783,392
Unconditional promises to give, net (notes 2 and 7)	1,883,171	-	-	1,883,171
Underwriting receivables, net of allowance for doubtful accounts of \$27,073	201,181			201,181
Other receivables	7,477	-	-	7,477
Beneficial interest in trust (note 3)	-	-	636,524	636,524
Prepaid expenses	166,611	-	-	166,611
Investments (notes 5 and 10)	2,781,428	-	1,146,765	3,928,193
Property and equipment, net (notes 6 and 15)	2,712,956	-	-	2,712,956
Intangible assets, net of \$142,743 accumulated amortization	694,880			694,880
Bequest receivable (note 3)	-	-	1,500,000	1,500,000
Total assets	<u>\$ 9,231,096</u>	<u>\$ -</u>	<u>\$ 3,283,289</u>	<u>\$ 12,514,385</u>
Liabilities and net assets:				
Accounts payable	\$ 178,761	\$ -	\$ -	\$ 178,761
Accrued salaries	227,396	-	-	227,396
Contributions held for others, net (note 14)	16,445	-	-	16,445
Deferred income	48,462	-	-	48,462
Other liabilities (note 16)	17,775	-	-	17,775
Total liabilities	488,839	-	-	488,839
Unrestricted net assets:				
Designated by the Board to function as an endowment (note 8)	2,781,428	-	-	2,781,428
Plant and intangibles	3,407,836	-	-	3,407,836
Undesignated	2,552,993	-	-	2,552,993
Total net assets:				
Unrestricted net assets	8,742,257	-	-	8,742,257
Temporarily restricted net assets (note 9)	-	-	-	-
Permanently restricted net assets (note 10)	-	-	3,283,289	3,283,289
Total net assets	8,742,257	-	3,283,289	12,025,546
Total liabilities and net assets	<u>\$ 9,231,096</u>	<u>\$ -</u>	<u>\$ 3,283,289</u>	<u>\$ 12,514,385</u>

The accompanying notes to financial statements are an integral part of this statement.

VERMONT PUBLIC RADIO
Statement of Activities
For the Year Ended September 30, 2006
(With Summarized Financial Information for the Year Ended September 30, 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total	(restated) 2005 Total
Operating revenues, gains and other support:					
Memberships	\$ 2,966,229	\$ -	\$ -	\$ 2,966,229	\$ 2,616,570
Donated materials and services	278,971	-	-	278,971	432,303
Contributions	158,249	-	-	158,249	18,824
Underwriting	2,009,883	-	-	2,009,883	1,946,402
Bequests	83,885	-	-	83,885	1,590,090
Receipt of beneficial interest in trust	-	-	82,628	82,628	636,524
Change in beneficial interest in trust	-	-	(161,387)	(161,387)	-
Grants	973,551	65,570	-	1,039,121	537,349
Telecasting, production and other income	67,605	-	-	67,605	65,354
Interest and dividend income	282,599	-	-	282,599	125,515
Net appreciation on investments	239,298	-	81,041	320,339	194,932
Gain (loss) on disposal of assets	263	-	-	263	(58,791)
Special projects	96,030	-	-	96,030	-
Net assets released from restrictions	-	-	-	-	-
	<u>7,156,563</u>	<u>65,570</u>	<u>2,282</u>	<u>7,224,415</u>	<u>8,105,072</u>
Operating expenses:					
Program services:					
Programming and production	2,991,110	-	-	2,991,110	2,742,300
Broadcasting	652,767	-	-	652,767	617,468
	<u>3,643,877</u>	<u>-</u>	<u>-</u>	<u>3,643,877</u>	<u>3,359,768</u>
Supporting services:					
Fundraising and membership development	1,463,770	-	-	1,463,770	1,453,893
Management and general	765,298	-	-	765,298	793,597
	<u>2,229,068</u>	<u>-</u>	<u>-</u>	<u>2,229,068</u>	<u>2,247,490</u>
	<u>5,872,945</u>	<u>-</u>	<u>-</u>	<u>5,872,945</u>	<u>5,607,258</u>
Change in net assets before non-operating revenues	1,283,618	65,570	2,282	1,351,470	2,497,814
Non-operating revenues - endowment campaign	1,329,453	-	-	1,329,453	674,293
Non-operating expenses - endowment campaign	182,690	-	-	182,690	135,960
Change in net assets	2,430,381	65,570	2,282	2,498,233	3,036,147
Net assets, beginning of year	8,742,257	-	3,283,289	12,025,546	9,709,486
Prior period adjustment (note 17)	-	-	-	-	(720,087)
Net assets, end of year after prior year restatement	<u>\$11,172,638</u>	<u>\$ 65,570</u>	<u>\$ 3,285,571</u>	<u>\$ 14,523,779</u>	<u>\$ 12,025,546</u>

The accompanying notes to financial statements are an integral part of this statement.

VERMONT PUBLIC RADIO
Statements of Cash Flows
For the Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>(restated)</u> <u>2005</u>
Operating Activities:		
Change in net assets	\$ 2,498,233	\$ 3,036,147
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	344,804	386,989
Net appreciation on investments	(320,339)	(194,932)
(Gain) loss on disposal of assets	(263)	58,791
Change in provision for uncollectible promises to give	60,677	51,690
Change in amortization of discount on unconditional promises to give	(73,209)	24,807
Change in beneficial interest in trust	161,387	-
Receipt of the beneficial interest in trust	(82,628)	(636,524)
Changes in operating assets and liabilities:		
Increase in unconditional promises to give	(471,073)	(379,535)
(Increase) decrease in underwriting receivables, net	10,976	(55,329)
(Increase) decrease in other receivables	(44,151)	5,653
(Increase) decrease in bequest receivable	1,500,000	(1,500,000)
Decrease in prepaid expenses	33,896	119,832
Increase in accounts payable	6,644	40,179
Increase in accrued salaries	20,457	73,026
Increase (decrease) in contributions held for others	(16,445)	16,445
Increase in deferred grant revenue	28,595	48,462
Increase (decrease) in other liabilities	(3,210)	13,849
Total adjustments	<u>1,156,118</u>	<u>(1,926,597)</u>
Net cash provided by operating activities	<u>3,654,351</u>	<u>1,109,550</u>
Investing Activities:		
Proceeds from sale of property, equipment, and intangibles	263	500
Cash payments for the purchase of property, equipment, and intangibles	(1,188,050)	(552,871)
Purchases of investment securities	(6,298,223)	(1,802,293)
Proceeds from sales of investment securities	<u>3,889,652</u>	<u>1,482,035</u>
Net cash used by investing activities	<u>(3,596,358)</u>	<u>(872,629)</u>
Net increase in cash and cash equivalents	57,993	236,921
Cash and cash equivalents, beginning of year	<u>783,392</u>	<u>546,471</u>
Cash and cash equivalents, end of year	<u>\$ 841,385</u>	<u>\$ 783,392</u>

The accompanying notes to financial statements are an integral part of this statement.

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

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

The financial statements of the Station have been prepared on the accrual basis of accounting. The Station's significant accounting policies are described below:

(a) Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Station reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, SFAS No. 117 requires the Station to present a statement of cash flows.

(b) Contributions

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, the Station records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions received for perpetual endowments are reported as non-operating revenues.

(c) Promises To Give

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

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.

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

Sponsorships are exchange transactions and are recognized as revenue when credits are aired. Sponsorships remitted in advance of credits aired are recorded as deferred revenue until such time that the credits are aired.

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

Summary of Significant Accounting Policies (continued)

(d) Investments

Investments traded on an active market are stated at market value as determined by quoted market prices.

(e) Income Taxes

The Stations 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, the Station has been classified as an organization that is not a private foundation under Section 509(a) of the Code.

(f) Allocated Costs

The costs of providing the Station'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.

(g) In-kind Contributions and Donated Personal Services of Volunteers

In-kind contributions and donated personal services of volunteers are recorded as revenue and expenses in the accompanying Statement of Activities. In-kind contributions consist of donated artist fees and other professional services, telephone services and materials. These donations are recorded at estimated fair value. Donated personal services are also recorded at estimated fair value based upon standard valuation rates and job classifications developed by the Corporation for Public Broadcasting.

(h) Cash Equivalents

The Station considers all highly liquid investments to be cash equivalents including certificates of deposit.

(i) Property and Equipment

The Station capitalizes all significant betterments with a cost or value of at least \$1,000 and a useful life of at least one year. Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 33 1/3 years.

(j) Intangible Asset

The Station's intangible assets consist of purchased radio frequencies, WBTN-FM in Bennington, Vermont, WNCH-FM in Norwich, Vermont, WJAN-FM in Sunderland, Vermont, and a FM frequency in Brighton, Vermont. Radio frequencies are limited as to availability and have historically appreciated in value with the passage of time. Intangible assets are reviewed for impairment based on an assessment of future operations to ensure that they are appropriately valued. The Station has amortized the frequency using the straight-line method over a period of 25 years.

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

Summary of Significant Accounting Policies (continued)

The Station currently follows APB #17, *Intangible Assets*, which requires that goodwill and other intangible assets are amortized over their useful lives. The Station, as a not-for-profit organization, has been excluded from applying the provisions of SFAS #142, *Goodwill and Other Intangible Assets*.

(k) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Comparative 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Station's financial statements for the year ended September 30, 2005, from which the summarized information was derived.

(m) Special Event Revenue

As permitted by SFAS No. 117, the Station has elected to report revenue net of expenses for special events. Management believes that revenue from special events is incidental to the Station's activities.

(n) Reclassification

Certain amounts in the 2005 financial statements have been reclassified to conform with the presentation in the 2006 financial statements.

(2) Unconditional Promises to Give

Unconditional promises to give consist of the following as of September 30:

	<u>2006</u>	<u>2005</u>
Unrestricted promises:		
Corporate match, less allowance for doubtful accounts of \$2,536 and \$835 in 2006 and 2005, respectively	\$ 7,748	\$ 17,781
Fund drive, less allowance for doubtful accounts of \$37,395 and \$39,214 in 2006 and 2005, respectively	42,267	5,274
WNCH capital campaign, less allowance for doubtful accounts of \$7,000 and \$15,141 in 2006 and 2005, respectively	5,173	56,172

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

Unconditional Promises to Give (continued)

Endowment capital campaign, less allowance for doubtful accounts of \$174,536 and \$103,960 in 2006 and 2005, respectively	2,292,931	1,960,134
Broadcast service pledge, no allowance needed	<u>100,000</u>	<u>-</u>
Unconditional promises to give, less allowance for doubtful accounts	2,448,119	2,039,361
Less: Un-amortized discount, 4.5% in 2006 and 2005	<u>(82,980)</u>	<u>(156,190)</u>
Net unconditional promises to give	<u>\$ 2,365,139</u>	<u>\$ 1,883,171</u>
	<u>2006</u>	<u>2005</u>
Amounts due in:		
Less than one year	\$ 1,388,594	\$ 809,420
One to five years	<u>1,280,992</u>	<u>1,389,091</u>
Total amounts due	2,669,586	2,198,511
Less: Allowance for doubtful accounts	(221,467)	(159,150)
Less: Un-amortized discount, 4.5% in 2006 and 2005	<u>(82,980)</u>	<u>(156,190)</u>
Net unconditional promises to give doubtful accounts	<u>\$ 2,365,139</u>	<u>\$ 1,883,171</u>

(3) Trust Receivable and Beneficial Interest

In 2005, the Station was named a beneficiary of an estate. The donor passed away during 2005, resulting in a direct gift to the Station of \$1,500,000. The same donor also established a charitable remainder trust funded with \$3,500,000, with annual income interest(s) of not more than the greater of 6% or actual net income. Upon the death of the beneficiaries, the Station will be the sole residuary beneficiary.

In 2006, the Station was named a beneficiary of a separate charitable remainder trust funded with \$250,000. Upon the death of the beneficiaries, the Station will be the sole residuary beneficiary.

As the Station is not the trustee and does not exercise control over the assets contributed to the trusts, the agreements are recognized as a beneficial interest in the trusts. The Station has recognized the present value of expected future benefits to be received when the trust assets are distributed. The Station has recorded a beneficial interest in the trusts of \$557,766 and \$636,524 at September 30, 2006 and 2005, respectively, on the accompanying statement of financial position.

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

(4) Related Party Transactions

The Station maintains cash accounts at the Merchants Bank. A member of the Station's Board of Directors was the President of the Merchants Bank until January 1, 2006.

Included in unconditional promises to give at September 30, 2006 is approximately \$730,000 pledged for the Creating a Sound Future Campaign Endowment by employees of the Station and members of the Station's Board of Directors.

The Station made payments of \$606,631 to National Public Radio for programming and other fees. The president of the Station is a member of the National Public Radio's Board of Directors.

In 2005, the Station developed a "retention compensation program" for a select key employee. The program requires the Station to accrue costs annually (\$15,000) in anticipation of a six month sabbatical for which the Station will pay \$75,000. It is anticipated, if satisfaction of the arrangement's provisions are met, the Station will incur this expense beginning October 1, 2008.

(5) Investments

Investments consist of the following as of September 30:

	<u>2006</u>	<u>2005</u>
Cash Equivalents	\$ 1,038,801	\$ 535,408
Government Securities	1,753,817	890,132
Common Stock	3,864,486	2,200,843
Corporate Bonds	<u>-</u>	<u>301,810</u>
	<u>\$ 6,657,104</u>	<u>\$ 3,928,193</u>

Fees and commissions related to these investments amounted to \$27,266 and \$18,537 in 2006 and 2005, respectively.

At September 30, 2006 and 2005, investments are designated by the board for specific purposes, as detailed in the net asset section of the Statements of Financial Position.

(6) Property and Equipment

Property and equipment consist of the following as of September 30:

	<u>2006</u>	<u>2005</u>
Building	\$ 247,455	\$ 243,405
Transmitters, antennae and satellites	1,725,745	1,432,888
Building improvements	1,618,382	1,607,114
Studio equipment	871,915	835,496
Furniture and equipment	948,825	867,959
Transportation equipment	74,505	44,140
Construction in progress	<u>763,365</u>	<u>236,275</u>
	6,250,192	5,267,277
Less: accumulated depreciation	<u>2,864,840</u>	<u>2,554,321</u>
Net property and equipment (net of intangibles)	<u>\$ 3,385,352</u>	<u>\$ 2,712,956</u>

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

Property and Equipment (continued)

Depreciation expense totaled \$344,804 and \$386,989 for the years ended September 30, 2006 and 2005, respectively.

(7) Capital Campaign

Included in unconditional promises to give on the Statement of Financial Position are capital campaign funds that represent the net receivable balance due on the Station's Norwich Capital Campaign and the Creating a Sound Future Campaign.

(8) Unrestricted Net Assets

Unrestricted net assets designated by the board to function as an endowment represent funds that the Station's Boards of Directors has determined should be held in reserve and expended only upon their approval. There are no restrictions on the expenditure of income from this fund.

(9) Temporarily Restricted Net Assets

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

(10) Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund investments to be held in perpetuity. The income from this fund is expendable at the discretion of the Station's management and is included in unrestricted net assets.

(11) Concentrations

At September 30, 2006, the Station maintained cash balances at a financial institution that exceeded federally insured limits by \$962,677.

At September 30, 2006, there were five pledges for the Creating a Sound Future Campaign Endowment that accounted for approximately \$1,600,000 or 67% of total unconditional promises to give.

(12) Operating Leases

The Station leases various equipment, transmitting facilities, transmitter sites and storage areas under lease agreements that expire through 2012. Rent expense for these leases amounted to \$93,106 and \$72,352 in 2006 and 2005, respectively. Minimum rental payments under non-cancelable agreements are as follows:

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

Operating Leases (continued)

For the Year Ending September 30,		
2007	\$	84,736
2008		80,487
2009		78,037
2010		71,337
2011		41,191
Thereafter		<u>1,263</u>
	\$	<u>357,051</u>

The Station also entered into a lease agreement for the Norwich studio for a term of five years, from July 1, 2001 through June 30, 2006. The lease agreement is currently month-to-month with a new five-year agreement expected subsequent to year-end. Effective January 7, 2002, the leased space is valued at \$17,840 annually. In lieu of cash payment, the lesser has elected to provide underwriting support

(13) Retirement Plan

The Station has a profit sharing plan that covers all full-time employees who have attained the age of 21 and who have completed one year of service. Contributions to the Plan are at the discretion of the Board of Directors and totaled \$109,733 and \$105,769 for the years ended September 30, 2006 and 2005, respectively. The Station 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 the Station who 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.

(14) Contributions Held for Others

In fiscal year 2005, the Station held a fundraising effort for victims of Hurricane Katrina. At September 30, 2005, the Station has recorded a payable for pledge money to the Red Cross for \$33,864 of which \$17,419 is owed by donors. This commitment was met early in fiscal year 2006.

(15) Commitments and Contingencies

In June 1993, the Station 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 contained a provision that requires payment of \$85,000 upon the sale of the building by the Station. The payment represents the difference between the purchase price of the building and the market value as determined by the State of Vermont at the time the property was conveyed. The Station's management 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.

VERMONT PUBLIC RADIO
Notes to Financial Statements
September 30, 2006 and 2005

Commitments and Contingencies (continued)

In March 2004 and August 2003, the Station received \$36,400 and \$72,814, respectively, from the United States Department of Commerce as part of a National Telecommunications and Information Administration (NTIA) Award. In connection with this award, the Station received reimbursement for part of the cost to purchase a new transmitter and antenna. The Federal Government retains a reversionary interest in all facilities constructed with Federal grant funds for a period of ten years after the official completion date of the project.

(16) Split Interest Agreement

In 2004, the Station received two new charitable gift annuity interests. Under the first, the Station must provide quarterly payments to the donor, who has been named as the beneficiary of the annuity. Payments began on June 30, 2004 and will continue as long as the beneficiary is living. The Station has recorded a liability based on the calculated annuity the beneficiary is expected to receive over his lifetime. Under the second, the Station purchased an annuity to provide quarterly payments to the donors, who have been named as the beneficiaries of the annuity. As such, the Station has recorded no liability in connection with the agreement.

In 2003, the Station also received two charitable gift annuity interests. Under the first, the Station must provide quarterly payments to the donors, who have been named as the beneficiaries of the annuity, beginning in December 2007. An annuity will be purchased at that time. The Station has recorded a liability in connection with this agreement. Under the second, the Station purchased an annuity to provide semiannual payments to the donor, who has been named beneficiary of the annuity. As such, the Station has recorded no liability in connection with the agreement.

During 2006 the Station entered into an agreement with Vermont Community Foundation (VCF). The agreement states that VCF will receive and manage future charitable gift annuities for the Station. The charitable gift annuities managed and maintained by VCF are not reflected in the accompanying financial statements.

(17) Change in Recognition of Underwriting Revenue

During the year, the Station began accounting for underwriting revenue as exchange transactions. Previously, the revenue had been accounted for as contributions. A prior period adjustment has been made to the 2005 financial statements to reflect this change.

Vermont Public Radio
Schedule of Functional Expenses
For the Year Ended September 30, 2006
(With Summarized Financial Information for the Year Ended September 30, 2005)

	Program Services			Supporting Services			Endowment		Totals	
	Programming and Production	Broadcasting	Total Program Services	Fundraising and Membership Development	Management and General	Total Supporting Services	Endowment	2006	2005	
Salaries	\$ 1,182,553	\$ 183,969	\$ 1,366,522	\$ 439,870	\$ 334,589	\$ 774,459	\$ 66,061	\$ 2,207,042	\$ 2,162,028	
Employee benefits	250,803	60,024	310,827	78,394	80,223	158,617	14,630	484,074	486,741	
Payroll taxes	90,850	15,581	106,431	32,864	22,473	55,337	5,160	166,928	157,730	
Advertising	15,276	-	15,276	294	19,458	19,752	-	35,028	46,703	
Bad debt	-	-	-	62,568	-	62,568	70,576	133,144	116,160	
Bank/charge card fees	-	-	-	48,866	1,626	50,492	-	50,492	55,153	
Broadcast lines	-	41,746	41,746	-	-	-	-	41,746	47,797	
Building and equipment maintenance	40,072	24,146	64,218	14,704	11,034	25,738	-	89,956	92,129	
Building, vehicle and equipment rental/lease	13,484	77,824	91,308	823	1,215	2,058	-	93,366	72,444	
Conference/training	4,548	3,475	8,023	5,592	3,253	8,845	1,300	18,168	21,237	
Cable/Satellite	1,220	-	1,220	-	746	49,410	-	1,220	77,437	
Donated supplies/materials/premiums	24,308	-	24,308	48,664	-	184,828	-	73,718	145,626	
Donated advertising and tickets - media events	-	-	-	184,828	-	-	-	184,828	5,450	
Donated talent fee	-	-	-	-	-	-	-	-	19,630	
Donated volunteer services	-	-	-	20,425	-	20,425	-	20,425	19,630	
Insurance	12,847	12,181	25,028	2,650	14,199	16,849	-	41,877	34,848	
Investment fees	-	-	-	-	19,103	19,103	8,163	27,266	18,537	
Legal and accounting fees	-	-	-	-	57,637	57,637	-	57,637	41,422	
Meetings	2,428	-	2,428	-	9,052	9,052	-	11,480	130,264	
Membership and subscription fees	10,807	836	11,643	12,301	24,331	36,632	305	48,580	65,900	
Miscellaneous, net	16,237	3,922	20,159	105,515	18,360	123,875	856	144,890	129,795	
Postage and shipping	4,335	5,578	9,913	144,616	3,538	148,154	195	158,262	51,967	
Premiums and shipping	410	-	410	49,819	-	49,819	-	50,229	51,967	
Printing and production	1,834	251	2,085	68,338	2,187	70,525	2,729	75,339	69,218	
Professional fees	84,141	35,641	119,782	19,941	51,866	71,807	2,012	193,601	123,322	
Program acquisition fees	706,042	-	706,042	-	-	-	-	706,042	702,698	
Program affiliation	91,859	-	91,859	91,859	-	-	-	91,859	-	
Records, tapes and CDs	8,590	-	8,590	-	-	-	-	8,590	11,871	
Satellite usage fees	18,774	-	18,774	-	-	-	-	18,774	26,305	
Software and computer maintenance	42,633	15,402	58,035	15,944	10,443	26,387	-	84,422	63,483	
Special events	1,713	-	1,713	31,878	-	31,878	7,008	40,599	19,135	
Supplies and expendable equipment	22,340	19,059	41,399	10,494	14,826	25,320	22	66,741	61,722	
Talent fees	16,312	-	16,312	-	-	16,994	737	16,312	34,683	
Telephone	25,761	28,637	54,398	5,502	11,492	16,994	-	72,129	67,432	
Telemarketing	-	-	-	6,619	-	6,619	-	6,619	10,623	
Travel and vehicle maintenance	38,700	21,071	59,771	19,851	21,619	41,470	2,936	104,177	103,380	
Utilities	20,870	51,703	72,573	6,550	6,148	12,698	-	85,271	83,359	
Depreciation and amortization	2,749,747	601,046	3,350,793	1,437,910	739,438	2,177,348	182,690	5,710,831	5,356,229	
	241,363	51,721	293,084	25,860	25,860	51,720	-	344,804	386,989	
Total expenses	\$ 2,991,110	\$ 652,767	\$ 3,643,877	\$ 1,463,770	\$ 765,298	\$ 2,229,068	\$ 182,690	\$ 6,035,635	\$ 5,743,218	

See Auditors' Report.