

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

FINANCIAL STATEMENTS
And
INDEPENDENT AUDITORS' REPORT

For the Years Ended December 31, 2017 and 2016

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSE - 12/31/17	5
STATEMENT OF FUNCTIONAL EXPENSE – 12/31/16	7
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grand Valley Public Radio Company
Grand Junction, Colorado

We have audited the accompanying financial statements of the Grand Valley Public Radio Company (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Valley Public Radio Company as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Jeff Wendland, CPA, LLC". The signature is written in a cursive style with a large, stylized initial "J".

JEFF WENDLAND, CPA, LLC

Grand Junction, Colorado

May 31, 2018

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GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
Cash	\$ 49,450	\$ 56,194
Donations and underwriting receivable	13,504	13,535
Prepaid expense	28,988	16,958
Other assets - vehicle donated for raffle	32,000	-
Property and equipment - net of depreciation	<u>713,846</u>	<u>735,806</u>
Total assets	<u>\$ 837,788</u>	<u>\$ 822,493</u>
 LIABILITIES AND EQUITY		
Liabilities		
Accounts payable	\$ 1,500	\$ 1,577
Accrued liabilities	12,975	8,580
Deferred underwriting revenue	66,367	88,208
Notes payable - secured	<u>444,883</u>	<u>466,184</u>
Total liabilities	525,725	564,549
Net Assets		
Temporarily restricted	50,274	50,619
Unrestricted	<u>261,789</u>	<u>207,325</u>
Total net assets	312,063	257,944
Total liabilities and net assets	<u>\$ 837,788</u>	<u>\$ 822,493</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Revenues and Support						
Contributed goods and services	\$ 118,897		\$ 118,897	\$ 73,236	\$ -	\$ 73,236
Fund drives and contributions	114,667		114,667	78,426	-	78,426
Underwriting	55,853		55,853	47,089	-	47,089
Grants	26,214	50,274	76,488	34,579	50,619	85,198
Fund raising events	25,764		25,764	41,656	-	41,656
Concerts	20,444		20,444	17,208	-	17,208
Raffle	8,311		8,311	5,896	-	5,896
Other revenues	18,458		18,458	17,772	-	17,772
Total revenues and support	388,608	50,274	438,882	315,862	50,619	366,481
Released from restriction:						
By passage of time	50,619	(50,619)	-	50,512	(50,512)	-
Expenses						
Program Services - Public Radio Station						
Programming and production	72,475	-	72,475	81,006	-	81,006
Broadcasting and engineering	36,610	-	36,610	42,730	-	42,730
Program information and promotion	38,604	-	38,604	29,958	-	29,958
Total program services	147,689	-	147,689	153,694	-	153,694
Support Services						
Management and general	24,306	-	24,306	27,096	-	27,096
Fundraising and membership development	94,742	-	94,742	91,228	-	91,228
Underwriting and grant solicitation	60,451	-	60,451	39,654	-	39,654
Total support services	179,499	-	179,499	157,978	-	157,978
Unallocated expense						
Depreciation	27,200	-	27,200	24,157	-	24,157
Interest	30,375	-	30,375	30,683	-	30,683
Loss on disposition of fixed assets	-	-	-	2,356	-	2,356
Total expenses	384,763	-	384,763	368,868	-	368,868
Net increase (decrease) in net assets	54,464	(345)	54,119	(2,494)	107	(2,387)
Net assets						
Beginning of year	207,325	50,619	257,944	209,819	50,512	260,331
End of year	\$ 261,789	\$ 50,274	\$ 312,063	\$ 207,325	\$ 50,619	\$ 257,944

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2017

	Program Services			
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services
Accounting and Auditing	\$ 4,899	\$ 4,899	\$ 4,899	\$ 14,697
Advertising	2,000	-	3,000	5,000
Bank Charges	-	-	-	-
Dues and Subscriptions	-	-	1,500	1,500
Information Technology	1,167	2,015	1,167	4,349
Insurance	868	868	868	2,604
Miscellaneous	1,684	910	2,130	4,724
Off-air Fundraising	-	-	-	-
Wages & Salaries	43,535	15,200	11,600	70,335
Payroll Processing	717	250	191	1,158
Payroll Taxes	3,957	1,382	1,054	6,393
Programming	2,347	-	-	2,347
Radio Room	-	-	-	-
Rent	-	3,100	2,520	5,620
Repairs and Maintenance	3,795	3,795	3,795	11,385
Supplies	1,548	1,548	1,548	4,644
Utilities	2,527	2,527	2,527	7,581
Volunteer, Employee & Member Appreciation	3,431	116	89	3,636
Website	-	-	1,716	1,716
	<u>\$ 72,475</u>	<u>\$ 36,610</u>	<u>\$ 38,604</u>	<u>\$ 147,689</u>

The accompanying notes are an integral part of these statements

Support Services

Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total Support Services	Total Expenses
\$ 4,899	\$ 4,899	\$ 4,899	\$ 14,697	\$ 29,394
1,000	9,216	3,000	13,216	18,216
116	1,056	1,543	2,715	2,715
-	-	2,183	2,183	3,683
1,166	1,166	2,178	4,510	8,859
1,908	2,089	868	4,865	7,469
3,332	7,158	211	10,701	15,425
-	14,119	-	14,119	14,119
3,600	27,296	27,296	58,192	128,527
59	450	449	958	2,116
328	2,482	2,482	5,292	11,685
-	-	-	-	2,347
-	7,263	7,263	14,526	14,526
-	-	-	-	5,620
3,794	3,794	3,795	11,383	22,768
1,548	10,599	1,548	13,695	18,339
2,528	2,528	2,527	7,583	15,164
28	627	209	864	4,500
-	-	-	-	1,716
<u>\$ 24,306</u>	<u>\$ 94,742</u>	<u>\$ 60,451</u>	<u>\$ 179,499</u>	<u>\$ 327,188</u>

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2016

	Program Services			
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services
Accounting and Auditing	\$ 2,412	\$ 2,412	\$ 2,412	\$ 7,236
Advertising	1,000	-	1,500	2,500
Appreciation	9,160	2,360	1,809	13,329
Bank Charges	-	-	-	-
Information Technology	2,000	7,125	5,000	14,125
Insurance	1,000	1,000	1,000	3,000
Licenses & Fees	1,275	-	-	1,275
Marketing	-	-	1,000	1,000
Miscellaneous	666	-	201	867
Off-air Fundraising	-	-	-	-
Payroll	55,220	14,210	10,906	80,336
Programming	2,609	-	-	2,609
Radio Room	-	-	-	-
Repairs and Maintenance	2,172	2,172	2,172	6,516
Rent	-	2,400	-	2,400
Supplies	1,392	2,699	1,392	5,483
Utilities	2,100	8,352	850	11,302
Website	-	-	1,716	1,716
	<u>\$ 81,006</u>	<u>\$ 42,730</u>	<u>\$ 29,958</u>	<u>\$ 153,694</u>

The accompanying notes are an integral part of these financial statements.

Support Services					
Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total Support Services	Total Expenses	
\$ 2,413	\$ 2,413	\$ 2,413	\$ 7,239	\$ 14,475	
450	6,514	1,500	8,464	10,964	
567	4,579	4,391	9,537	22,866	
500	2,200	-	2,700	2,700	
-	-	-	-	14,125	
3,300	754	-	4,054	7,054	
1,259	-	-	1,259	2,534	
-	4,319	-	4,319	5,319	
6,538	1,066	-	7,604	8,471	
-	24,065	-	24,065	24,065	
3,400	24,603	26,485	54,488	134,824	
-	-	-	-	2,609	
-	8,328	-	8,328	8,328	
5,977	2,172	2,172	10,321	16,837	
-	-	-	-	2,400	
1,392	10,215	1,393	13,000	18,483	
1,300	-	1,300	2,600	13,902	
-	-	-	-	1,716	
<u>\$ 27,096</u>	<u>\$ 91,228</u>	<u>\$ 39,654</u>	<u>\$ 157,978</u>	<u>\$ 311,672</u>	

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from contributors and grants	\$ 218,962	\$ 306,005
Received from raffles	8,311	5,896
Received from concerts	20,444	17,208
Other receipts	18,458	17,772
	266,175	346,881
Cash paid to suppliers	(75,791)	(111,353)
Cash paid for personnel	(140,212)	(134,824)
Cash paid for interest	(30,375)	(30,683)
	19,797	70,021
Net cash provided by operating activities	19,797	70,021
Cash flows from investing activities		
Purchase of property and equipment	(5,240)	(45,898)
Cash flows from financing activities		
Principal paid on secured notes	(21,301)	(19,567)
Net increase (decrease) in cash	(6,744)	4,556
Cash at beginning of year	56,194	51,638
Cash at end of year	\$ 49,450	\$ 56,194
<u>Reconciliation of change in net assets</u>		
<u>to net cash provided by operating activities</u>		
Change in net assets	\$ 54,119	\$ (2,387)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	27,200	24,157
Loss on abandonment of fixed assets	-	2,356
(Increase) decrease in:		
Receivables	31	(10,763)
Prepays	(12,030)	(7,250)
Automobile held for raffle	(32,000)	-
Increase (decrease) in:		
Accounts payable	(77)	1,169
Accrued liabilities	4,395	(1,660)
Deferred underwriting	(21,841)	64,399
	19,797	70,021
Net cash provided by operating activities	\$ 19,797	\$ 70,021

The accompanying notes are an integral part of these statements.

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Grand Valley Public Radio Company (the Organization) is a local not-for-profit organization located in Grand Junction, Colorado, supported primarily by contributions and underwriting from the surrounding community and a grant from the Corporation for Public Broadcasting. The Organization operates community radio station KAFM, largely with volunteer on-air personalities and support staff.

2. Basis of Accounting

The financial statements of the Organization are presented using the accrual basis of accounting which records income when earned and expenses when incurred. Contributions received or made, including unconditional promises to give, are recognized in the period received or made, respectively, at fair value. Amounts are classified based on the presence or absence of donor-imposed restrictions as described below.

3. Revenue Recognition

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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted donations for which the restriction is met in the same year as the donation is made are recognized as unrestricted revenue.

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

5. Allowance for doubtful accounts

The Organization believes that all of its receivables are collectible. Accordingly, no provision is made for doubtful accounts. All receivables are expected to be collected within one year.

6. Property and Equipment

Property and equipment are recorded at cost or at estimated fair value at the date of gift if donated. Property and equipment with a cost or estimated fair value of \$750 or more and an estimated useful life greater than one year is capitalized. Furniture and equipment depreciation is computed on an accelerated basis over estimated useful lives of 5 to 7 years. Buildings and improvements are depreciated on a straight line basis over 39 years. The Organization follows the policy of not implying a time restriction and records unrestricted income for the donation of long-lived assets.

7. Tax Status

The Organization has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

8. Contributed Services and Property

A significant number of volunteers have donated their time to the Organization and its fund raising campaigns. Support arising from these contributed services is not recorded in the financial statements, as no objective basis is available to measure the value of the services performed. Certain contributed services that require specialized skills are recognized as contributed revenue and expense. The Organization believes this recognition is preferable in the circumstances and will better reflect the contribution and cost of such services. The Organization also receives donations of goods. These donations are recognized at fair market value at the date of gift. These contributed goods and services are valued at \$118,897 and \$73,236 for the years ended December 31, 2017 and 2016, respectively, and have been recorded as revenue and expense or fixed assets.

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

9. Functional Allocation of Expenses

Costs are allocated by management based on the best available estimate of the percentage of each cost element applicable to each functional area.

10. Use of Estimates

The Organization has prepared these financial statements in conformity with generally accepted accounting principles, which require the use of management's estimates. Actual results could differ from the estimates used.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment, at cost, and accumulated depreciation are summarized as follows:

	2017	2016
Equipment and office furniture	\$ 132,891	\$ 130,651
Standby equipment	6,576	6,576
Building and improvements - secured - Note C - Operating	426,147	423,147
Buildings and improvements - secured - Note C - Rentals	89,408	89,408
Less accumulated depreciation	(278,759)	(251,559)
Net depreciable assets	376,263	398,223
Music library	210,565	210,565
Land - secured - Note C	127,018	127,018
	<u>\$ 713,846</u>	<u>\$ 735,806</u>

The Organization's music library consists of approximately 5,500 vinyl albums and 25,000 compact disks at December 31, 2017 and 2016. All of these items were donated to the Organization and have been recorded at their estimate fair market value. Management believes the useful lives of the items in the library are extraordinarily long and accordingly, no depreciation is recognized on these items.

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B – PROPERTY AND EQUIPMENT, continued

Land and buildings carried at a cost of \$642,384 and \$639,384 at December 31, 2017 and 2016 respectively, with accumulated depreciation of \$179,660 and \$163,290 respectively, at those dates are pledged as security for loans described in Note C.

Broadcast equipment carried at a cost of \$45,552 at December 31, 2017 and 2016, respectively with accumulated depreciation of \$35,726 and \$30,983, respectively was purchased in part with funds provided by a grant of \$15,943 from the United States Department of Commerce. That grant requires that if the equipment is disposed of before 2022, the grant must be repaid. The Department of Commerce has filed a UCC financing statement on this equipment to ensure compliance with this grant provision.

NOTE C - NOTES PAYABLE – SECURED

Arguello

On September 9, 2002 the Organization purchased real property at 1310 Ute Ave, Grand Junction, Colorado from LeRoy and Patsy Arguello. Mr. & Mrs. Arguello financed the purchase with a loan secured by a deed of trust on the property. That loan matured on September 9, 2007. The remaining balance and accrued interest of \$188,315 were rolled into a new note bearing interest at the rate of 8% per annum with principal and interest payable on September 9, 2011. On September 9, 2011, accrued interest of \$39,860 was added to principal and new note in the amount of \$228,175 bearing interest at 8%, due September 9, 2010, was agreed to. As of January 1, 2013, accrued interest of \$23,955 was added to the principal, bringing the principal balance to \$252,130. Monthly payments of principal and interest totaling \$1,677 are to be paid for ten years when the principal balance of \$218,036 comes due. Interest on this loan was 7% per annum at December 31, 2017 and 2016. In August, 2007 the deed of trust securing this note was subordinated to Alpine Bank as described below.

Amounts due are summarized below.

	<u>Interest</u>	<u>Principal</u>	<u>Total Payments</u>
2018	16,498	3,631	20,129
2019	16,236	3,893	20,129
2020	15,954	4,175	20,129
2021	15,653	4,476	20,129
2022	<u>15,329</u>	<u>221,161</u>	<u>236,490</u>
Totals	<u>\$ 79,670</u>	<u>\$237,336</u>	<u>\$317,006</u>

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE C – NOTES PAYABLE – SECURED, continued

Alpine Bank

In August, 2013 the Organization negotiated a term Loan with Alpine Bank in the amount of \$14,790. The loan is payable over five years in monthly installments of \$246.48 at 6.5% interest and is secured by a deed of trust on the properties 1304, 1310 and 1930 Ute Avenue. Future payments on this loan are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total Payments</u>
2018	253	2,705	2,958
2019	<u>68</u>	<u>2,454</u>	<u>2,522</u>
Total	<u>\$ 321</u>	<u>\$ 5,159</u>	<u>\$ 5,480</u>

In September, 2007 the Organization purchased the properties at 1304 and 1330 Ute Avenue, Grand Junction, Colorado. These purchases and the payoff of other debt were financed by a note from Alpine Bank in the amount of \$250,000. This note is secured by deeds of trust on the properties at 1304, 1310, and 1330 Ute Avenue. Principal and interest, at a rate which floats with market rates, are payable in monthly installments of \$2,070 over 20 years. Interest on this loan was 6.50% and 5.75% at December 31, 2017 and December 31, 2016, respectively.

In August, 2013, a portion of the Alpine Bank line of credit was refinanced into the mortgage note. The line of credit was reduced by \$49,265, and the Alpine Bank note was increased by the same amount. Amounts due are summarized below:

	<u>Interest</u>	<u>Principal</u>	<u>Total Payments</u>
2018	10,733	14,107	24,840
2019	9,901	14,939	24,840
2020	9,019	15,821	24,840
2021	8,084	16,756	24,840
2022	6,890	17,950	24,840
2023-2028	18,193	114,834	133,027
	<u>\$ 62,820</u>	<u>\$ 194,407</u>	<u>\$ 257,227</u>

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE C – NOTES PAYABLE – SECURED, continued

During 2015 the Organization negotiated a line of credit of \$50,000 with Alpine Bank. The line of credit carried an interest rate of 7.00% and 8.75% at December 31, 2017 and 2016, respectively, matures on April 8, 2018 and is secured by the real estate at 1304, 1310 and 1330 Ute Avenue. The outstanding balance on this line of credit was \$7,981 and \$9,029 at December 31, 2017 and 2016, respectively.

NOTE D - ADVERTISING

The Organization received \$19,370 and \$10,664 in contributed advertising and promotion for the years ended December 31, 2017 and 2016, respectively. The Organization's policy is to expense advertising as it is incurred.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

	<u>12/31/17</u>	<u>12/31/16</u>
Restricted by timing:		
Corporation for Public Broadcasting grant to be used in the subsequent year	\$ 50,274	\$ 50,619

NOTE F – CONCENTRATIONS

The Organization conducts most of its operations and fund-raising in Mesa County, Colorado. Changes in local economic conditions could have material effects on the Organization's ability to raise funds. The Organization receives considerable funds in the form of grants. These grants are subject to periodic renewal. There are no guarantees that the granting agencies will reissue grants in the future.

NOTE G - SUBSEQUENT EVENTS

The Organization has considered events through May 31, 2018 which may have an effect on these financial statements. This date is the date of issuance of these financial statements.

GRAND VALLEY PUBLIC RADIO COMPANY
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE H – CONTINGENCIES

Much of the Organization's support comes from grantor agencies. These agencies review the Organization's operations from time to time to determine that grant funds were used for purposes stipulated by those agencies. If an agency determined that funds had not been spent in accordance with those stipulations it could request the return of all or part of the funds provided. To date, none of the grantor agencies has indicated that any funds have not been spent appropriately.