

**ROARING FORK PUBLIC RADIO, INC.  
(DBA: ASPEN PUBLIC RADIO)**

**FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

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(DBA: ASPEN PUBLIC RADIO)**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Roaring Fork Public Radio, Inc.  
Aspen, Colorado

We have audited the accompanying financial statements of Roaring Fork Public Radio, Inc. (DBA: Aspen Public Radio, a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 audits. We conducted our audits 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 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 Roaring Fork Public Radio, Inc. 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.

*Reese Henry & Company, Inc.*

Certified Public Accountants  
Aspen, Colorado  
May 23, 2018

**ROARING FORK PUBLIC RADIO, INC.  
(DBA: ASPEN PUBLIC RADIO)**

**STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 190,232	\$ 229,237
Accounts Receivable	21,318	31,958
Employee Receivables	5,132	2,538
Pledges Receivable	15,000	30,000
Investments	1,630,458	1,483,856
Investments - Other	76,089	76,089
Property and Equipment, net	34,573	45,691
Security Deposits	7,116	5,086
<b>TOTAL ASSETS</b>	<b><u>\$ 1,979,918</u></b>	<b><u>\$ 1,904,455</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 3,822	\$ 5,260
Deferred Revenue	25,122	20,481
<b>TOTAL LIABILITIES</b>	<b><u>28,944</u></b>	<b><u>25,741</u></b>
 <b>NET ASSETS</b>		
Unrestricted, Undesignated	595,974	448,714
Unrestricted, Board Designated	700,000	700,000
Total Unrestricted	1,295,974	1,148,714
Temporarily Restricted	435,000	510,000
Permanently Restricted	220,000	220,000
<b>TOTAL NET ASSETS</b>	<b><u>1,950,974</u></b>	<b><u>1,878,714</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,979,918</u></b>	<b><u>\$ 1,904,455</u></b>

See accompanying notes and Independent Auditor's Report.

**ROARING FORK PUBLIC RADIO, INC.  
(DBA: ASPEN PUBLIC RADIO)**

**STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2017 and 2016**

	December 31, 2017				December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>								
Contributions	\$ 556,805	\$ -	\$ -	\$ 556,805	\$ 475,830	\$ -	\$ -	\$ 475,830
Grants	251,588	54,531	-	306,119	270,423	90,749	-	361,172
Underwriting Revenue - Paid	302,447	-	-	302,447	309,452	-	-	309,452
Underwriting Revenue - Trade	58,700	-	-	58,700	61,850	-	-	61,850
Special Events, Net	56,200	-	-	56,200	42,965	-	-	42,965
Other Revenue	3,569	-	-	3,569	3,623	-	-	3,623
Investment Income	173,846	-	-	173,846	21,383	-	-	21,383
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	129,531	(129,531)	-	-	170,749	(170,749)	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>1,532,686</b>	<b>(75,000)</b>	<b>-</b>	<b>1,457,686</b>	<b>1,356,275</b>	<b>(80,000)</b>	<b>-</b>	<b>1,276,275</b>
<b>EXPENSES</b>								
Program Services	1,083,139	-	-	1,083,139	920,511	-	-	920,511
General & Administrative	190,915	-	-	190,915	204,154	-	-	204,154
Fundraising	111,372	-	-	111,372	86,514	-	-	86,514
<b>TOTAL EXPENSES</b>	<b>1,385,426</b>	<b>-</b>	<b>-</b>	<b>1,385,426</b>	<b>1,211,179</b>	<b>-</b>	<b>-</b>	<b>1,211,179</b>
<b>CHANGE IN NET ASSETS</b>	<b>147,260</b>	<b>(75,000)</b>	<b>-</b>	<b>72,260</b>	<b>145,096</b>	<b>(80,000)</b>	<b>-</b>	<b>65,096</b>
<b>NET ASSETS, January 1</b>	<b>1,148,714</b>	<b>510,000</b>	<b>220,000</b>	<b>1,878,714</b>	<b>1,003,618</b>	<b>590,000</b>	<b>220,000</b>	<b>1,813,618</b>
<b>NET ASSETS, December 31</b>	<b>\$ 1,295,974</b>	<b>\$ 435,000</b>	<b>\$ 220,000</b>	<b>\$ 1,950,974</b>	<b>\$ 1,148,714</b>	<b>\$ 510,000</b>	<b>\$ 220,000</b>	<b>\$ 1,878,714</b>

See accompanying notes and Independent Auditor's Report.

**ROARING FORK PUBLIC RADIO, INC.**  
**(DBA: ASPEN PUBLIC RADIO)**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017 and 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 72,260	\$ 65,096
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	15,884	19,502
Unrealized (Gain)/Loss on Investments	(144,500)	(13,757)
Non Cash Stock Contributions	(25,867)	(11,795)
Realized (Gain)/Loss on Sale of Investments	4,201	11,607
(Increase) Decrease in Accounts Receivable	10,640	(6,238)
(Increase) Decrease in Employee Receivables	(2,594)	(795)
(Increase) Decrease in Pledges Receivable	15,000	270,000
(Increase) Decrease in Security Deposits	(2,030)	(10)
Increase (Decrease) in Accounts Payable	(1,438)	(8,156)
Increase (Decrease) in Deferred Revenue	4,641	1,548
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(53,803)</b>	<b>327,002</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the Sale of Investments	428,264	1,411,644
Purchase of Property and Equipment	(4,766)	(12,441)
Purchase of Investments	(454,216)	(1,821,767)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(30,718)</b>	<b>(422,564)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Transfer of Funds from Investment Portfolio to Checking	45,516	-
Repayment of Note Payable	-	(6,655)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>45,516</b>	<b>(6,655)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(39,005)</b>	<b>(102,217)</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b>229,237</b>	<b>331,454</b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<b>\$ 190,232</b>	<b>\$ 229,237</b>

See accompanying notes and Independent Auditor's Report.

**ROARING FORK PUBLIC RADIO, INC.  
(DBA: ASPEN PUBLIC RADIO)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND PURPOSE**

Roaring Fork Public Radio, Inc. (the Station) was incorporated October 9, 1980 as a Colorado nonprofit corporation. The Station operates as Aspen Public Radio. The Station is organized to broadcast non-commercial, nonprofit radio, serving the communities of the Roaring Fork, Frying Pan, Colorado and Crystal River Valleys with predominantly cultural, educational and informational radio service.

**BASIS OF ACCOUNTING**

The financial statements of the Station have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**FINANCIAL STATEMENT PRESENTATION**

The Financial Statements are presented in accordance with FASC 958-205, *Presentation of Financial Statements for Not-for-Profit Organizations*. Under FASC 958-205, the Station is required to report 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.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all cash held in deposits and temporary investments with an original maturity of three months or less.

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Management has reviewed balances for the years ended December 31, 2017 and 2016 and believes they are all collectible.

**PLEDGES RECEIVABLE**

Unconditional pledges are recorded as receivables and are recognized as contribution revenue in the period received. Pledges expected to be collected in more than one year are recorded after being discounted to the anticipated net present value of future cash flows.



## INVESTMENTS

The Station carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

## FAIR VALUE MEASUREMENTS

The Station is subject to the provisions of *Fair Value Measurements and Disclosures* Topic of FASB ASC. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

## PROPERTY AND EQUIPMENT

The Station capitalizes all additions to property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Such donated property 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 temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Station reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over their estimated useful lives of 3 to 40 years primarily using the straight-line method.

The Station's lease specifies that upon termination the Landlord may require the Station to return the leased premises to the original condition prior to the commencement of this lease. Management does not believe the Landlord will require the Station to restore the premises to their original condition given the improvements made. Therefore, an asset retirement obligation has not been included in the financial statements. In the unlikely case that the Station will be required to remove the improvements, the estimated cost to restore would be immaterial.

## DEFERRED REVENUE

The Station recognizes revenue when the services are performed. Deferred revenue at December 31, 2017 and 2016 consists of underwriting revenue which totals \$25,122 and \$20,481 respectively.

## ACCRUED VACATION

A liability for accrued vacation has not been included in these financial statements because the Station's policy does not permit vacation time to be carried forward beyond the end of the year.

## CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All 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.

#### UNDERWRITING REVENUE

For the year ended December 31, 2017, \$58,700 of underwriting revenue was received as trade for services and is included in underwriting revenue on this financial statement. The amount included \$21,500 in benefits, \$13,850 in advertising, \$6,800 in services, \$7,700 in professional fees, \$1,000 in special events catering; and \$7,850 for office phones and supplies. Of these amounts, \$43,280 is included in program expenses and \$13,535 is included in general and administrative expenses and \$1,885 are included in fundraising expenses.

For the year ended December 31, 2016, \$61,850 of underwriting revenue was received as trade for services and is included in underwriting revenue on this financial statement. The amount included \$25,400 in benefits, \$13,050 in advertising, \$6,500 in services, \$8,450 in professional fees, \$1,000 in special events travel and catering; and \$7,450 for office phones. Of these amounts, \$42,775 is included in program expenses and \$15,434 is included in general and administrative expenses and \$3,641 are included in fundraising expenses.

#### DONATED SERVICES

The Station receives a significant amount of donated services from unpaid volunteers who assist in fundraising, program activities and special events. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Station if not provided by donation. Services meeting the above criteria are recorded at their fair values in the period received. For the years ended December 31, 2017 and 2016, no contributed services met these requirements.

#### INCOME TAX STATUS

The Station is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Contributions to the Station are tax deductible as permitted under the Code.

FASC Topic 740-10, Accounting for Uncertainty in Income Taxes, prescribes when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Station only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses. The Station had no material unrecognized tax benefits for the years ended December 31, 2017 and 2016. As a result, no interest or penalties were accrued for unrecognized tax benefits during the year. The Station's tax returns for the years ended December 31, 2014 through December 31, 2017 remain subject to examination by federal and state tax jurisdictions.

## FUNCTIONAL ALLOCATION OF EXPENSES

The costs of producing the various programs and 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 benefited.

### ADVERTISING

The organization expenses advertising costs as incurred. Total advertising expense for the years ended December 31, 2017 and 2016 was \$21,445 and \$20,907 respectively. For the years ended December 31, 2017 and 2016 the station received \$13,850 and \$13,050 respectively of total advertising expenses in trade for underwriting revenue.

### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

## 2. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2017 and 2016 represent unconditional promises to give as follows:

	<u>2017</u>	<u>2016</u>
Face value of pledges receivable	\$ 15,000	\$ 30,000
Less unamortized discount	-	-
Allowance for uncollectable pledges	-	-
Total pledges receivable	<u>\$ 15,000</u>	<u>\$ 30,000</u>

## 3. INVESTMENTS

Investments at December 31, 2017 and 2016 are stated at fair value and consist exclusively of:

	<u>2017</u>	<u>2016</u>
Money Funds	\$ 44,509	\$ 390,857
Bond Funds	136,469	1,089,740
Fixed Income Funds	565,449	-
Equity Fund	505,653	3,259
International Equity Funds	378,378	-
Total Investments	<u>\$ 1,630,458</u>	<u>\$ 1,483,856</u>
LLC Interest in Sunlight Peak, LLC	<u>\$ 76,089</u>	<u>\$ 76,089</u>

Investment income is summarized as follows:

	2017	2016
Interest and Dividends on Investments	\$ 33,547	\$ 19,233
Net Realized and Unrealized Gain (Loss)	140,299	2,150
Total Return	<u>\$ 173,846</u>	<u>\$ 21,383</u>

For the years ending December 31, 2017 and 2016 the Station incurred \$7,765 and \$6,706 respectively in investment management fees.

The Station’s endowment consists of funds established to provide the Station with a continual source of earnings. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Station has not adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Though they have not adopted this Act, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The expendable investment income from the corpus, which includes interest and dividends, realized and unrealized gains, net of administrative fees, is included in the unrestricted net assets. The Station is committed to preserving the corpus of the endowment funds.

The Station has a formal investment policy. Under this policy, management of the Endowment Fund is delegated to the Finance Committee. The Finance Committee has chosen one of its members as lead Manager to execute trades in conformance with the Policy, with the concurrence of the Treasurer.

The Station’s spending policy is to only spend earnings and not invade corpus per the agreements with donors.

The Endowment net asset composition consists of donor-restricted endowment funds totaling \$220,000. Income from the endowment fund investment is reported in the unrestricted fund and therefore there were no changes in the endowment net assets during the years ended December 31, 2017 and 2016.

**4. FAIR VALUE MEASUREMENTS**

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The fair value option was chosen to measure all financial assets and liabilities in order to mitigate volatility in reported changes in net assets. The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Investments measured on a recurring basis and reported at fair value are classified and disclosed in one of the three fair value hierarchy categories.

The following table summarizes the valuation of the Station’s investments by the above fair value hierarchy levels at December 31, 2017 and 2016:

	December 31, 2017		
	Fair Value	Level 1	Level 3
Money Funds	\$ 44,509	\$ 44,509	\$ -
Bond Funds	136,469	136,469	-
Fixed Income Funds	565,449	565,449	
Equities	884,031	884,031	-
Pledges Receivable	15,000	-	15,000
LLC Interest in Sunlight Peak, LLC	76,089	-	76,089
	<u>\$1,721,547</u>	<u>\$1,630,458</u>	<u>\$ 91,089</u>

  

	December 31, 2016		
	Fair Value	Level 1	Level 3
Money Funds	\$ 390,857	\$ 390,857	\$ -
Bond Funds	1,089,740	1,089,740	-
Equities	3,259	3,259	-
Pledges Receivable	30,000	-	30,000
LLC Interest in Sunlight Peak, LLC	76,089	-	76,089
	<u>\$1,589,945</u>	<u>\$1,483,856</u>	<u>\$ 106,089</u>

The Station’s investment in Sunlight Peak, LLC consists of \$76,089 in capital contributions. Sunlight Peak, LLC (“Sunlight”), is a Colorado non-profit limited liability company owned by three non-profit organizations to jointly share in the construction and maintenance costs of the Sunlight Peak transmitter tower. As of December 31, 2017, there were no changes in this investment measured at fair value. The Station has used Level 3 inputs to determine fair value. Sunlight is a nonprofit 501(c)(3) organization with a fiscal year end of June 30. Sunlight filed Form 990-EZ for the fiscal years ended June 30, 2017 and 2016. The 990-EZ showed total equity of \$178,381 and total assets of \$178,381 for the year 2017 and total equity of \$205,004 and total assets of \$205,004 for the year ended 2016. Both years were reported on the accrual basis of accounting.

The changes in net assets measured at fair value for which the Station has used Level 3 inputs to determine fair value are as follows:

	<u>Pledges Receivable</u>	
	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 30,000	\$ 300,000
New pledges received and included in changes in net assets	-	45,000
Payments received	(15,000)	(315,000)
Allowance for uncollectable pledges	-	-
Net present value discount adjustment included in changes in net assets	-	-
Ending balance	<u>\$ 15,000</u>	<u>\$ 30,000</u>

## 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Building and Improvements	\$ 73,362	\$ 73,362
Radio Equipment	68,548	68,548
Furniture and Fixtures	10,966	10,966
Computer Equipment	127,247	122,481
	<u>280,123</u>	<u>275,357</u>
Less Accumulated Depreciation	<u>(245,550)</u>	<u>(229,666)</u>
Net Property and Equipment	<u>\$ 34,573</u>	<u>\$ 45,691</u>

Depreciation expense was \$15,884 and \$19,503 for the years ended December 31, 2017 and 2016, respectively.

## 6. UNRESTRICTED BOARD DESIGNATED NET ASSETS

Board designated funds are set aside based on formal board designations. At December 31, 2017 and 2016 the balance of board designated net assets was \$700,000.

## 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 were \$435,000 and \$510,000 respectively. These funds were restricted for use in future periods.

## **8. PERMANENTLY RESTRICTED NET ASSETS**

At December 31, 2017 and 2016 permanently restricted net assets consists of \$220,000. The endowment fund was established in 2007 to provide the Station with a continual source of earnings. The principal is not expendable by the Station for general operating purposes. Income from the endowment fund investment is reported in the unrestricted fund and is available for the Station's operations.

## **9. CONCENTRATION OF RISKS**

### **CREDIT RISK**

The Station places its cash with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC (U.S. Federal Deposit Insurance Corporation) insured limit of \$250,000. The Station has not experienced any losses in these accounts and believes there is no significant risk with respect to these deposits.

### **ECONOMIC DEPENDENCY**

The Station operates from a single location and relies on its broadcasting assets to serve its coverage areas within the Roaring Fork, Frying Pan, Colorado and Crystal River Valleys. The Station's broadcasting assets (including transmission towers) are located in various leased properties that may not be easily replaced or substituted with different properties. If the Station is required to change the locations of its broadcasting assets, it may need to settle with less than ideal locations or invest in additional broadcasting assets to maintain its coverage areas.

The Station receives a substantial amount of its support from the Corporation for Public Broadcasting (CPB) and contributors. If a significant reduction in this level of support were to occur, it may have an adverse effect on the Station's programs and activities. CPB funds are subject to certain use and reporting requirements. Should CPB determine funds were not spent properly; the Station may be required to return the funds. The Station believes all CPB funds have been spent in accordance with CPB's restrictions.

The Station also receives a significant amount of grant support from the City of Aspen through the general grant application process with the City of Aspen. If a significant reduction in this level of support were to occur, it may have an adverse effect on the Station's programs and activities.

The Station receives a significant amount of services from National Public Radio (NPR). The Station's programming would be negatively affected if it no longer had access to NPR programming.

## **10. OPERATING LEASES**

The Station leases office space from the City of Aspen under a one-year lease that expires September 30, 2018. Rent expense for the years ended December 31, 2017 and 2016 was \$45,804 and \$45,346 respectively. A security deposit of \$3,824 is included in these financial statements.

The Station has a lease for a radio transmitter site on Smuggler Mountain in Aspen. That lease expires on February 28, 2020. The Station has an option to extend the lease for an additional 15 years after the

current extension expires. The lease allows the Station to sublease space on its transmitter tower and in the equipment building provided that the station gives to the owner six-months prior notice of its intention to exercise this option. The lease calls for a rent of one dollar per year. If the Station subleases space at the site, the lessor is to receive 30% of the sublease revenue until all costs for the transmitter tower, building, and equipment have been paid in full. After these costs have been paid in full the lessor is to receive 50% of the sublease revenue. No rent expense related to sublease income was accrued for 2016 as no sublease income was earned.

The Station entered a land lease agreement with POW, Inc. for access to the radio booster antenna and associated equipment located on Iron Mountain near Glenwood Springs through May 31, 2015. The lease includes an option to renew for an additional ten years. The lessor has the option to receive 50% of the lease payments in trade radio spots. There is a cancellation fee of \$3,000 on the lease. For the fiscal year ending December 31, 2017 and 2016 the lease expense was \$4,440.

Future minimum payments under all lease agreements follow:

December 31,	
2018	\$ 39,289
2019	4,441
2020	4,702
2021	5,532
Thereafter	<u>18,901</u>
	<u>\$ 72,865</u>

Total expense under these leases for the years ended December 31, 2017 and 2016 was \$50,245 and \$49,788 respectively.

## 11. RETIREMENT PLAN

The Station offers to its staff the option to participate in a retirement plan pursuant to section 403(b) of the Internal Revenue Code. Staff contributions are voluntary and are made on a pre-tax basis. The Station has no obligation to make employer contributions. The Station does voluntarily make contributions based on the employee manual in accordance with its policy. This is a matching program that starts during the second year of continual employment as a match to the employees' voluntary contribution. The matching contribution by the Station is based on the length of employment and will at no time exceed 6% of the employee's salary. For the years ended December 31, 2017 and 2016, the Station's contributions totaled \$4,421 and \$8,268 respectively.

## 12. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 23, 2018, which is the date the financial statements were available to be issued.