

MOAB PUBLIC RADIO, INC

Financial Statements
and
Independent Auditors' Report

September 30, 2006 and 2005

MOAB PUBLIC RADIO, INC.

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LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Moab Public Radio, Inc.

We have audited the accompanying statements of financial position of **Moab Public Radio, Inc.** (a non-profit organization) as of September 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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 audits provide 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 **Moab Public Radio, Inc.** as of September 30, 2006 and 2005 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Larson & Company

Sandy, Utah
February 8, 2007

SANDY, OFFICE
9065 SOUTH 1300 EAST
SANDY, UTAH 84094
(801) 313-1900
FAX (801) 313-1912

SPANISH FORK OFFICE
765 NORTH MAIN
SPANISH FORK, UTAH 84660
(801) 798-3545
FAX (801) 798-3678

MOAB OFFICE
121 EAST 100 SOUTH SUITE 104
MOAB, UTAH 84532
(435) 259-9100
FAX (801) 259-9100

MOAB PUBLIC RADIO, INC.
Statement of Financial Position
As of September 30, 2006 and 2005

ASSETS

	2006	2005
Current assets:		
Cash and cash equivalents	\$ 10,027	\$ 68,083
Grants receivable	-	42,500
Prepaid expenses	-	5,368
Total current assets	10,027	115,951
Investments	142,633	122,505
Collection	7,353	7,353
Property and equipment , net of accumulated depreciation of \$98,600 and \$68,008, respectively	219,965	184,102
Total assets	\$ 379,978	\$ 429,911

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ -	\$ 12,441
Payroll and related liabilities	1,959	1,854
Total liabilities	1,959	14,295
Net assets:		
Unrestricted	378,019	404,121
Temporarily restricted	-	11,495
Total net assets	378,019	415,616
Total liabilities and net assets	\$ 379,978	\$ 429,911

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

MOAB PUBLIC RADIO, INC.
 Statements of Activities
 For the Years Ended September 30, 2006 and 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006</u>	<u>2005</u>
Revenues and support:				
Grants	\$ 72,500	\$ -	\$ 72,500	\$ 226,378
Foundations and other non-profits	2,738	-	2,738	6,859
Listener contributions	50,433	-	50,433	44,965
Underwriting	10,275	-	10,275	10,795
Voices of Youth	11,194	-	11,194	-
Interest Income	115	-	115	2,464
Realized and unrealized gains on investment	5,614	-	5,614	2,505
Sound Partners	3,500	-	3,500	-
Other income	2,751	-	2,751	4,856
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and support	159,120	-	159,120	298,822
Net assets released from restrictions:				
Purpose restriction satisfied	11,495	(11,495)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total unrestricted public support and revenue	170,615	(11,495)	159,120	298,822
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Program service expenses:				
Engineering	31,531	-	31,531	20,930
Programming	115,606	-	115,606	98,249
	<hr/>	<hr/>	<hr/>	<hr/>
Total program service expenses	147,137	-	147,137	119,179
Supporting service expenses:				
Management and general	34,508	-	34,508	28,192
Fundraising	15,073	-	15,073	22,075
	<hr/>	<hr/>	<hr/>	<hr/>
Total supporting service expenses	49,581	-	49,581	50,267
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	196,717	-	196,717	169,446
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(26,102)	(11,495)	(37,597)	129,376
Net assets, beginning of year	404,121	11,495	415,616	286,240
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 378,019	\$ -	\$ 378,019	\$ 415,616
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

MOAB PUBLIC RADIO, INC.
 Statements of Functional Expenses
 For the Year Ended September 30, 2006
 (With Summarized Financial Information for
 The Year Ended September 30, 2005)

	<u>Programming Services</u>		<u>Support Services</u>		<u>2006 Totals</u>	<u>2005 Totals</u>
	<u>Engineering</u>	<u>Programming</u>	<u>Management and General</u>	<u>Fund Raising</u>		
Salaries and wages	\$ 13,820	\$ 37,867	\$ 16,551	\$ 1,839	\$ 70,077	\$ 68,969
Professional services	8,656	-	8,656	-	17,311	4,673
Grant projects	1,709	15,382	-	-	17,091	32,434
Commissions	-	-	-	2,250	2,250	9,480
Conference and travel	-	1,445	161	-	1,605	1,302
Advertising and promotion	-	-	-	2,357	2,357	5,394
Production supplies	-	12,783	-	-	12,783	13,723
Office Supplies	-	-	1,700	189	1,889	2,035
Insurance	-	-	2,381	-	2,381	2,447
Programming	-	4,778	-	-	4,778	3,057
Radio-thon	-	-	-	6,964	6,964	4,077
Facilities	565	7,908	2,259	564	11,297	12,058
Maintenance & repairs	-	3,427	857	-	4,284	3,438
Memberships and affiliations	-	3,194	-	-	3,194	1,886
Other expenses	787	4,720	1,573	787	7,866	3,241
Depreciation	5,995	24,103	370	124	30,591	1,232
Total functional expenses	\$ 31,531	\$ 115,606	\$ 34,508	\$ 15,073	\$ 196,718	\$ 169,446

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

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

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ (37,597)	\$ 129,376
Non-cash charges and expenses:		
Depreciation expense	30,591	1,232
Net unrealized gains on investments	(5,174)	(2,505)
Net realized gains on investments	(328)	-
Adjustments to reconcile change in net assets to net cash used in operating activities		
Changes in assets and liabilities:		
(Decrease) increase in grants receivable	42,500	(42,500)
(Decrease) increase in prepaid expenses	5,368	(1,623)
(Decrease) increase in accounts payable	(12,441)	12,441
Increase in payroll and related liabilities	105	765
Net cash provided by operating activities	23,024	97,186
Cash flows from investing activities:		
Purchased property and equipment	(66,455)	(130,140)
Purchase of investments	(92,625)	(200,000)
Proceeds from investments	78,000	80,000
Net cash (used) in investing activities	(81,080)	(250,140)
Net (decrease) in cash and cash equivalents	(58,056)	(152,954)
Cash and cash equivalents at beginning of year	68,083	221,037
Cash and cash equivalents at end of year	\$ 10,027	\$ 68,083

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

MOAB PUBLIC RADIO, INC.

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Moab Public Radio, Inc. was founded in 1989. The station's primary purpose is to facilitate the establishment of public radio, which provides the Moab community with local news, weather, and current events, a variety of selected musical styles and formats; promote unification among the community; and provide a resource for student training in broadcasting and communication.

Financial Statement Presentation

The accompanying financial statements of the Station have been prepared using the accrual method of accounting.

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

Unrestricted net assets consist of funds free of any donor-imposed restrictions.

Unrestricted net assets consist of the following:

- Operating Funds are unrestricted resources used to support the Station's operations.

Temporarily restricted net assets consist of contributions and other inflows of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Station that fulfill donor stipulations.

Permanently restricted net assets consist of contributions and other inflows of funds subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Station. The Station does not have any permanently restricted assets.

MOAB PUBLIC RADIO, INC.

Notes to Financial Statements

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Building Equipment and Improvements

Building, equipment and improvements are recorded at cost, or if donated, at estimated fair value at date of donation. Assets having an estimated useful life less than one year and original cost or donated value of \$1,000 or less are expensed in the year of acquisition. All other assets are capitalized over their estimated useful life. Depreciation expense is computed using the straight-line method over the useful lives of the assets. Depreciable lives of assets range from 7 to 39 years. Donor restrictions on contributions for the purchase of buildings, equipment or improvements are considered satisfied when the expenditure is incurred and a transfer from temporarily restricted to unrestricted net assets is made at that time. Normal repairs and maintenance are charged to expense as incurred. Gains and losses on dispositions are included in operations.

Contributed Services

Volunteers contribute substantial amounts of services, materials and time toward the fulfillment of the Stations programs. To the extent these contributions satisfy the criteria for recognition under Statement of Financial Accounting Standards (SFAS) No. 116, they are recognized as contributions and expenses in the statement of activities and changes in net assets or are capitalized in the statement of financial position. While the donated amounts recognized are generally recorded at the fair market value represented on the vendor invoice, the value of some services may be reduced to reflect the estimated amount the Station would actually budget and pay for such services if services were not donated.

Income Taxes

Moab Public Radio, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Station is not considered a private foundation.

Cash and Cash Equivalents

The Station classifies its unrestricted short-term, highly liquid investments having original maturities of three months or less as cash equivalents.

MOAB PUBLIC RADIO, INC.

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses.

Significant estimates used in preparing these financial statements include:

- Depreciable lives and estimated residual value of buildings, equipment and improvements

It is at least reasonably possible that the significant estimates used will change within the next year.

2. INVESTMENTS

Investments consisted of the following at September 30, 2006 and 2005:

	2006		2005	
	Cost	Market Value	Cost	Market Value
Cash & Money Market	\$ -	\$ -	\$ 392	\$ 392
Fixed Income Securities	60,000	60,056	60,000	59,766
Mutual Funds	77,459	82,577	62,300	62,347
Total Investments	\$ 137,459	\$ 142,633	\$ 122,692	\$ 122,505

MOAB PUBLIC RADIO, INC.

Notes to Financial Statements

3. PROPERTY, BUILDINGS, AND EQUIPMENT

The cost of property, buildings, and equipment, net of accumulated depreciation and amortization at September 30, 2006 and 2005 are as follows:

	2006			
	<u>Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building	39	\$ 48,050	\$ 9,240	\$ 38,810
Radio transmitter	7	205,514	29,359	176,155
Radio tower	7	10,000	10,000	-
Radio translator	7	50,000	50,000	-
Land		5,000	-	5,000
Total		<u>\$ 318,564</u>	<u>\$ 98,600</u>	<u>\$ 219,965</u>

	2005			
	<u>Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building	39	\$ 48,050	\$ 8,008	\$ 40,042
Radio transmitter	7	139,060	-	139,060
Radio tower	7	10,000	10,000	-
Radio translator	7	50,000	50,000	-
Land		5,000	-	5,000
Total		<u>\$ 252,110</u>	<u>\$ 68,008</u>	<u>\$ 184,102</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available at September 30, 2005 are restricted to the following:

Internet service acquisition	\$ 7,339
Sound Partners	<u>4,156</u>
	<u>\$ 11,495</u>

There are no temporarily restricted net assets as of September 30, 2006.

MOAB PUBLIC RADIO, INC.

Notes to Financial Statements

5. OPERATING LEASE OBLIGATION

The Station entered into a new agreement with Moab Communications in August 2004 in which they lease the land upon which the new radio transmitter stands. The lease is for a period of seven years beginning September 2004 and ending August 2011. This lease requires monthly payments of \$450 for the first two years and increases \$25 each year thereafter. The total expense for this lease in 2006 and 2005 was **\$5,250** and \$5,400, respectively.

Minimum future payments under this lease obligation at December 31, 2006, are as follows:

2007	\$ 5,700
2008	6,000
2009	6,300
2010	6,600
2011 and thereafter	<u>6,900</u>
Total	<u>\$ 31,500</u>

6. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the 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 benefited.