

IOWA PUBLIC RADIO, INC.

Audited Financial Statements
for the Years Ended
June 30, 2010 and 2009 and
Independent Auditor's Report

IOWA PUBLIC RADIO, INC.

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June 30, 2010

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IOWA PUBLIC RADIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

Iowa Public Radio, Inc. ("IPR") provides this Management's Discussion and Analysis as a narrative overview of the financial performance of IPR for the three years ended June 30, 2010, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes that follow.

The Board of Regents of the State of Iowa established Iowa Public Radio, Inc. to manage the day-to-day operations including programming, technical support and administration of the public radio operations at the three Regents' universities. This includes the WOI Radio Group at Iowa State University, the KUNI Radio Group at the University of Northern Iowa and the KSUI Radio Group at the University of Iowa. IPR is governed by a board of directors consisting of five appointees. The Board of Regents appoints two community directors to represent the interests of Iowa's communities. The president at each of the Regents' universities appoints a university director to represent the interests of each respective university.

As Iowa Public Radio, Inc. continues to evolve into a fully integrated organization - blending the best of each station while gaining operational efficiencies - the consistency in financial reporting year-over-year will be impacted. The audited financial statements and footnotes of IPR should be read in conjunction with the audited financial statements and footnotes of each of the public radio stations.

Iowa Public Radio's mission is to inform, enrich and engage Iowans through radio programming and other media. IPR enhances civic and cultural connections across the state, strengthening communities and reflecting Iowa's sense of place. One of the top priorities of IPR is to extend our voices to more areas of the state - giving more Iowans the opportunity to experience rich, timeless music and the in-depth perspective of the world we live in that they can only get from public radio.

USING THE AUDITED FINANCIAL STATEMENTS

This analysis is intended to introduce the basic financial statements of IPR which consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. IPR reports as a business-type activity as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34"). These financial statements have been prepared in conformity with GASB 34 using the economic resources measurement focus and the accrual basis of accounting. GASB 34 also requires that net assets be reported in three categories - invested in capital assets net of related debt, restricted and unrestricted.

IOWA PUBLIC RADIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

THE STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities and net assets of IPR at the end of each fiscal year. The difference between assets and liabilities - or net assets - is one indicator of the current financial condition. The change in net assets is an indicator of whether the overall financial condition has improved during the fiscal year.

	June 30,		
	2010	2009	2008
Assets:			
Current assets	\$ 746,419	\$ 463,372	\$ 473,054
Capital assets, net	9,403	12,274	-
Total assets	<u>\$ 755,822</u>	<u>\$ 475,646</u>	<u>\$ 473,054</u>
 Liabilities:			
Current liabilities	\$ 592,454	\$ 404,582	\$ 473,054
Long-term liabilities	19,627	58,790	-
Total liabilities	<u>\$ 612,081</u>	<u>\$ 463,372</u>	<u>\$ 473,054</u>
 Net assets:			
Invested in capital assets	\$ 9,403	\$ 12,274	\$ -
Restricted	-	18,208	100,000
Unrestricted	134,338	(18,208)	(100,000)
Total net assets	<u>\$ 143,741</u>	<u>\$ 12,274</u>	<u>\$ -</u>
 Total liabilities and net assets	<u>\$ 755,822</u>	<u>\$ 475,646</u>	<u>\$ 473,054</u>
 Change in net assets	<u>\$ 131,467</u>	<u>\$ 12,274</u>	<u>\$ -</u>

Total assets at June 30, 2010 increased 58.9% to \$755,822 compared to total assets of \$475,646 at the end of the prior fiscal year. This increase is primarily due to increases in cash and cash equivalents and the receivable for underwriting agreements. In January, 2010, the underwriting function for the radio operations was centralized as part of IPR's on-going effort to become a fully integrated organization. Prior to this time, underwriting functions were performed at each of the university stations and therefore were reflected on the financial statements of each of the stations. Total assets at the end of fiscal year 2009 were comparable to the total assets at the end of fiscal year 2008.

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Capital assets decreased slightly at June 30, 2010 compared to capital assets at the end of the prior fiscal year. Capital assets increased at the end of fiscal year 2009 compared to capital assets at the end of fiscal year 2008.

Total liabilities at June 30, 2010 increased 32.1% to \$612,081 compared to total liabilities of \$463,372 at the end of the prior fiscal year. This increase is primarily due to the increase in advance payments on underwriting agreements due to the centralization of underwriting as described above. Long-term liabilities decreased 66.6% at June 30, 2010 due to a decrease in early retirement benefits payable. Total liabilities at the end of fiscal year 2009 were comparable to the total liabilities at the end of fiscal year 2008.

Total net assets at June 30, 2010 increased significantly to \$143,741 compared to total net assets of \$12,274 at the end of the prior fiscal year. Total net assets at the end of fiscal year 2009 increased compared to the total net assets at the end of fiscal year 2008. IPR's net assets are largely comprised of unrestricted net assets which may be used at management's discretion to meet current obligations.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The change in net assets as presented in the Statement of Net Assets is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets.

	For the years ended June 30,		
	2010	2009	2008
Total operating revenues	\$ 2,808,918	\$ 2,403,353	\$ 2,332,928
Total operating expenses	3,039,164	2,804,765	2,432,943
Operating income (loss)	(230,246)	(401,412)	(100,015)
Non-operating revenues (expenses) - net	361,713	413,686	100,015
Change in net assets	<u>\$ 131,467</u>	<u>\$ 12,274</u>	<u>\$ -</u>

Total operating revenues for the year ended June 30, 2010 increased 16.9% to \$2,808,918 compared to \$2,403,353 for the year ended June 30, 2009. Major components of operating revenues are as follows:

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

- Underwriting revenue, net of allowances, increased operating revenues by \$484,223 contributing significantly to the increase in total operating revenues. For fiscal year 2010, underwriting revenue is reported on the financial statements of each of the stations for the 6-month period July 1, 2009 through December 31, 2009. Underwriting revenue is reported on the financial statements of IPR for the 6-month period January 1, 2010 through June 30, 2010 due to the centralization of underwriting.
- Revenue from special events increased operating revenues by \$16,797.
- Contributions, net of allowances, decreased operating revenues by \$95,455. This 4.1% decrease in member contributions is attributed to the continued uncertainty in the state and local economy.

Total operating revenues for the year ended June 30, 2009 increased 3.0% to \$2,403,353 compared to \$2,332,928 for the year ended June 30, 2008. This increase was primarily due to increased contributions and income from special events that did not occur in 2008.

Total operating expenses for the year ended June 30, 2010 increased 8.4% to \$3,039,164 compared to \$2,804,765 for the year ended June 30, 2009. Major components of operating expenses are as follows:

- Fund-raising and membership development expenses increased operating expenses by \$310,234 primarily due to additional salaries, wages and benefits.
- Program services expenses increased operating expenses by \$243,718. This increase includes expenses related to programming, production and promotion.
- Management and general expenses decreased operating expenses by \$354,451 primarily due to a decrease in contribution expenses to the stations.

Total operating expenses for the year ended June 30, 2009 increased 15.3% to \$2,804,765 compared to \$2,432,943 for the year ended June 30, 2008. This increase was primarily due to increased contribution expenses to the stations and increases in salaries, wages and benefits as well as expenses related to recruiting.

Non-operating revenues (expenses) for the year ended June 30, 2010 decreased 12.6% to \$361,713 compared to \$413,686 for the year ended June 30, 2009. This decrease was primarily due to the decrease in state appropriations of \$86,182 from the prior fiscal year. Non-operating revenues (expenses) for the year ended June 30, 2009 increased significantly to \$413,686 compared to \$100,015 for the year ended June 30, 2008. This increase was primarily due to the state appropriation of \$492,500 received for the first time in 2009.

IOWA PUBLIC RADIO, INC.
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Unaudited)
 FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash disbursements for IPR for the fiscal year.

	For the years ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash from operating activities	\$ (262,254)	\$ (432,815)	\$ 206,836
Cash from non-capital financing activities	406,318	492,500	-
Cash from capital financing activities	(44,589)	(42,842)	50,000
Cash from investing activities	1,715	13,336	2,985
Net change in cash	<u>101,190</u>	<u>30,179</u>	<u>259,821</u>
Cash beginning of year	223,313	193,134	(66,687)
Cash end of year	<u>\$ 324,503</u>	<u>\$ 223,313</u>	<u>\$ 193,134</u>

Cash from operating activities increased to (\$262,254) for the year ended June 30, 2010 compared to (\$432,815) for the year ended June 30, 2009 primarily due to additional cash received for underwriting and from special events.

Cash from non-capital financing activities decreased to \$406,318 for the year ended June 30, 2010 compared to \$492,500 for the year ended June 30, 2009 due to cash received from state appropriations decreased in 2010.

Cash from capital financing activities decreased to (\$44,589) for the year ended June 30, 2010 compared to (\$42,842) for the year ended June 30, 2009 due to a decrease in cash received from capital grants and decreases in both non-capitalized and capitalized equipment purchases during 2010.

Cash from investing activities decreased to \$1,715 for the year ended June 30, 2010 compared to \$13,336 for the year ended June 30, 2009 due to proceeds from the sale of donated securities decreased in 2010.

The net increase in cash and cash equivalents was \$101,190 for the year ended June 30, 2010 compared to \$30,179 for the year ended June 30, 2009. Cash balances have increased at the end of each of the fiscal years presented above. The increase in cash is typically considered a positive financial indicator.

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FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

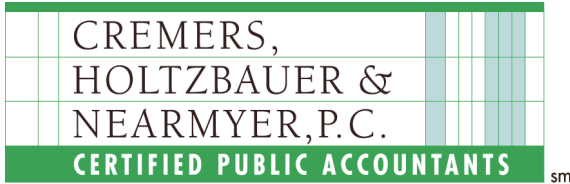
ECONOMIC OUTLOOK

The management of IPR is not aware of any extraordinary items that would impact the viability of IPR going forward. IPR continues to make major steps toward fully integrating the organization, enhancing operating efficiencies and decreasing its financial dependence on the three Regents' universities.

IPR continues to invest in technology, training and human resources to accommodate the changing economic environment and understands the need to maintain current funding sources as well as cultivating private funding sources. IPR is fully engaged in its effort to assure its sustainability for the coming years.

CONTACTING IOWA PUBLIC RADIO, INC.'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of IPR's finances and to demonstrate accountability for the funds received. Questions regarding this report or requests for additional information should be directed to the Chief Administrative Officer, Iowa Public Radio, Inc., 2111 Grand Avenue, Suite 100, Des Moines, Iowa, 50312.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Iowa Public Radio, Inc.:

We have audited the accompanying financial statements of Iowa Public Radio, Inc. (a nonprofit organization), as of and for the years ended June 30, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Organization'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 the Organization as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, for the year ended June 30, 2010, we have also issued a report dated May 25, 2011 on our consideration of the Organization's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

Dale E. Cremers, CPA
Robert W. Holtzbauer, CPA
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PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified Public
Accountants

Forensic Accountants
Society of North America

The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, on pages 1 - 6, is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The accompanying supplementary information, on pages 23 - 24 is presented for purposes of additional analysis and is not a required part of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cremers, Holtzbauer & Nearmyer, P.C.

CREMERS, HOLTZBAUER & NEARMYER, P.C.
Certified Public Accountants

May 25, 2011

IOWA PUBLIC RADIO, INC.

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CASH AND CASH EQUIVALENTS	\$ 324,503	\$ 223,313
UNCONDITIONAL PROMISES TO GIVE - less allowance for doubtful accounts; \$21,772 in 2010 and \$32,938 in 2009	204,082	194,219
UNDERWRITING RECEIVABLE - less allowance for doubtful accounts; \$26,801 in 2010	114,784	-0-
AGENCY FUNDS RECEIVABLE	14,400	-0-
GRANTS RECEIVABLE	37,500	37,500
PREPAID EXPENSES	<u>51,150</u>	<u>8,340</u>
Total current assets	746,419	463,372
CAPITAL ASSETS - net	<u>9,403</u>	<u>12,274</u>
TOTAL	<u>\$ 755,822</u>	<u>\$ 475,646</u>
 <u>LIABILITIES AND NET ASSETS</u>		
ACCOUNTS PAYABLE	\$ 20,989	\$ 26,940
DUE TO RELATED PARTY	39,172	7,133
ADVANCE PAYMENTS ON UNDERWRITING AGREEMENTS	98,656	-0-
CONTRIBUTIONS PAYABLE TO STATIONS	347,620	308,378
COMPENSATED ABSENCES	78,615	49,504
CURRENT PORTION - EARLY RETIREMENT BENEFITS PAYABLE	<u>7,402</u>	<u>12,627</u>
Total current liabilities	592,454	404,582
EARLY RETIREMENT BENEFITS PAYABLE - net of current portion	<u>19,627</u>	<u>58,790</u>
Total liabilities	- - <u>612,081</u>	- - <u>463,372</u>
NET ASSETS:		
Invested in capital assets, net of related debt	9,403	12,274
Restricted	-0-	18,208
Unrestricted	<u>134,338</u>	<u>(18,208)</u>
Total net assets	<u>143,741</u>	<u>12,274</u>
TOTAL	<u>\$ 755,822</u>	<u>\$ 475,646</u>

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

IOWA PUBLIC RADIO, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES:</u>		
Contributions - net	\$ 2,255,519	\$ 2,350,974
Program underwriting - net	484,223	-0-
Special events	<u>69,176</u>	<u>52,379</u>
Total operating revenues	<u>- 2,808,918</u>	<u>- 2,403,353</u>
<u>OPERATING EXPENSES:</u>		
Program services:		
Programming and production	270,736	117,486
Broadcasting and engineering	164,611	195,618
Program information and promotion	258,577	137,101
Support services:		
Management and general	1,902,055	2,221,607
Fund-raising and membership documentation	<u>443,185</u>	<u>132,953</u>
Total operating expenses	<u>3,039,164</u>	<u>2,804,765</u>
Operating loss	<u>- (230,246)</u>	<u>- (401,412)</u>
<u>NON-OPERATING REVENUE (EXPENSES):</u>		
State appropriations	406,318	492,500
Investment return	(16)	674
Noncapitalized equipment and improvements	<u>(44,589)</u>	<u>(79,488)</u>
Total nonoperating revenues (expenses) - net	<u>361,713</u>	<u>413,686</u>
CHANGE IN NET ASSETS	131,467	12,274
NET ASSETS, beginning of year	<u>12,274</u>	<u>-0-</u>
NET ASSETS, end of year	<u>\$ 143,741</u>	<u>\$ 12,274</u>

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

IOWA PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from memberships and fund-raising campaigns	\$ 2,243,926	\$ 2,336,513
Cash received from underwriting	468,096	-0-
Cash received from special events	69,176	52,379
Cash payments to employees for salaries, wages and benefits	(1,145,244)	(795,736)
Cash payments to suppliers for goods and services	(728,643)	(272,583)
Cash payments to state universities for memberships and fund-raising	<u>(1,169,565)</u>	<u>(1,753,388)</u>
Net cash flows used by operating activities	_ _ (262,254)	_ _ (432,815)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Cash received from state appropriations	<u>406,318</u>	<u>492,500</u>
Net cash flows provided by noncapital financing activities	_ _ <u>406,318</u>	_ _ <u>492,500</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Cash received from capital grants	-0-	50,000
Purchase of equipment - noncapitalized	(44,589)	(79,488)
Purchase of equipment - capitalized	<u>-0-</u>	<u>(13,354)</u>
Net cash flows used by capital financing activities	_ _ (44,589)	_ _ (42,842)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sale of donated securities	<u>1,715</u>	<u>13,336</u>
Net cash flows provided by investing activities	<u>1,715</u>	<u>13,336</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,190	30,179
<u>CASH AND CASH EQUIVALENTS:</u>		
Beginning of year	<u>223,313</u>	<u>193,134</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 324,503</u>	<u>\$ 223,313</u>

Continued.....

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

IOWA PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH</u>		
<u> FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating loss	\$ (230,246)	\$ (401,412)
Transactions not requiring cash:		
Depreciation	2,871	1,080
Donated securities	(1,731)	(12,662)
(Increase) decrease in:		
Agency funds receivable	(14,400)	-0-
Pledges receivable	(124,647)	(1,799)
Prepaid expenses	(42,810)	(8,341)
Increase (decrease) in:		
Accounts payable	26,088	11,785
Contributions payable	39,242	(68,657)
Accrued compensated absences	29,111	(24,226)
Early retirement benefits payable	(44,388)	71,417
Advance payments on underwriting agreements	<u>98,656</u>	<u>-0-</u>
Net cash flows used by operating activities	<u>\$ (262,254)</u>	<u>\$ (432,815)</u>

Concluded.

DISCLOSURE OF NONCASH FINANCING AND INVESTING TRANSACTIONS:

The Organization received donated securities in the amount of \$1,731 and \$12,662 in 2010 and 2009, respectively.

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

IOWA PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Iowa Public Radio, Inc. is organized as a public benefit corporation under the Revised Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa. The Organization was formed to support the welfare and growth of the network of public radio stations in the State of Iowa, including, but not limited to, the public radio stations currently licensed to the State University of Iowa, Iowa State University of Science and Technology, and University of Northern Iowa. The state universities are divisions of the State of Iowa, governed by the State of Iowa Board of Regents (Board of Regents). The Organization is governed by a five member board, with one licensee director appointed by each university president to represent the interest of the station licensee. Upon dissolution of the Corporation, the Organization shall distribute all of the assets of the Corporation to the Board of Regents or at the direction of the Board of Regents the Organization shall distribute all of the assets of the Corporation to one or more nonprofit organizations which are operated exclusively for charitable or educational purposes.

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The Organization applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins.*

Basis of Accounting

For financial reporting purposes, the Organization is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the Organization have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Nature of Activities

The Organization is operated exclusively for charitable and educational purposes. The Organization informs, enriches and engages Iowans through radio programming and other media, and enhances civic and cultural connections across the state, strengthening communities and reflecting Iowa's sense of place. The Organization is primarily supported by contributions from the public.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets

The Organization's net assets are classified as follows:

Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted, nonexpendable - Net assets subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.

Restricted, expendable - Net assets subject to externally imposed restrictions on use of resources either legally or contractually.

Unrestricted - Net assets not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management.

When an expense is incurred in which both unrestricted and restricted net assets are available, the Organization's policy is to first apply the expense against the restricted, and then toward the unrestricted asset.

Restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Restricted, expendable:		
Des Moines Studio	\$ -0-	\$ 18,208
Total restricted net assets	<u>\$ -0-</u>	<u>\$ 18,208</u>

Estimates

The preparation of the 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.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or at estimated fair value at the date of donation. The Organization's capitalization policy for equipment, furniture and fixtures includes all items with a unit cost of at least \$1,000 and an estimated useful life of greater than one year. Renovations to leased property are charged to operations in the year in which the expense is incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 10 years for furniture, fixtures and signage and 4 years for electronic equipment. Depreciation expense charged to operations for 2010 and 2009 was \$2,871 and \$1,080, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

Leasehold improvements and equipment purchases not meeting the Organization's capitalization policy charged to operations for 2010 and 2009 were \$44,589 and \$79,488, respectively.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give are periodically evaluated for collectibility based on payment history with the donor, time lapsed since the pledge was received and the number of collection attempts the Organization has made. Based on these criteria, the Organization determines an appropriate allowance for uncollectible promises to give at year-end. Grants are recognized as revenue in the period the grant is awarded. Grants and contributions are considered available for unrestricted use, unless specifically restricted by the grantor or donor.

Program Underwriting Support

As of January 1, 2010, Iowa Public Radio, Inc. has assumed all billing and collection activities of underwriting for all three universities' stations. Underwriting support is treated as conditional contributions, and recognized when the conditions are met, based on the terms of the underwriting agreements, and are recognized primarily on a pro rata basis as the underwriters are acknowledged.

Underwriting Receivables

Underwriting receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying past due accounts and by using historical experience applied to an aging of accounts. Underwriting receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The provision for doubtful accounts totaled \$26,801 for the year ended June 30, 2010.

Contributed Services

Contributed services are recognized as contributions if the services received, created or enhanced a long-lived asset or required specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers provide a variety of tasks that assist the Organization throughout the year that have not been recognized as contributions in the financial statements because the criteria for recognition was not met.

Operating and Nonoperating Activities

Operating activities generally result from the management, fund-raising and programming for the state universities' stations. Revenues restricted by donors for the use of capital improvements, and revenues and expenses that result from financing and investing activities are recorded as nonoperating revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Allocation of Expenses

The cost of providing program services and other activities are summarized on a functional basis in Note 9. Accordingly, certain costs have been allocated between the program and supporting services on the basis of benefits received.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from State of Iowa income taxes; therefore, there is no provision for either federal or state income taxes.

The Organization has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The years from June 30, 2007 through current are subject to U.S. Federal income tax examinations by tax authorities. The Organization has not been notified of any impending examinations by tax authorities, and no examinations are in process.

Advertising

Advertising costs are charged to operations in the period in which they are incurred. Advertising expense charged to operations for fiscal years ended 2010 and 2009 was \$152,251 and \$-0-, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash, promises to give, grants receivable, prepaid expenses, accounts payable, contributions payable and accrued expenses approximate fair value because of the short maturity of those financial instruments.

The carrying value of the accrued post retirement benefits is based upon the present value of the future cash payments discounted at 5%.

All investments are recorded at fair value based upon quoted market prices.

Reclassification

Certain 2009 amounts have been reclassified to conform with the 2010 presentation.

2. TRANSACTIONS WITH STATE UNIVERSITIES

The Organization provides services to each of the universities in the form of management, fund-raising and programming services. In May 2007, the Organization entered into a public service operating agreement to manage the day-to-day operations of the universities' radio stations on behalf of the Board of Regents and the universities consistent with FCC requirements for licensee control; and to serve as the primary fund-raising entity for the universities' radio stations. Contribution expense for the years ended June 30, 2010 and 2009 and contributions payable as of June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Contribution expense:		
University of Northern Iowa (Licensee - KUNI)	\$ 189,131	\$ 265,022
Iowa State University of Science & Technology (Licensee - WOI)	818,575	1,210,188
State University of Iowa (Licensee - WSUI)	<u>201,101</u>	<u>209,522</u>
Total contribution expense	<u>\$ 1,208,807</u>	<u>\$ 1,684,732</u>
	<u>2010</u>	<u>2009</u>
Contributions payable:		
University of Northern Iowa (Licensee - KUNI)	\$ 46,034	\$ 93,359
Iowa State University of Science & Technology (Licensee - WOI)	207,437	99,669
State University of Iowa (Licensee - WSUI)	<u>94,149</u>	<u>115,350</u>
Total contributions payable	<u>\$ 347,620</u>	<u>\$ 308,378</u>

The Organization's employees are paid through the state universities. The Organization reimburses the universities for the salaries and benefits of the Organization's employees. Salaries, wages and benefits incurred by each university on behalf of the Organization for the years ended June 30, 2010 and 2009 are as follows:

<u>University</u>	<u>2010</u>	<u>2009</u>
University of Northern Iowa (Licensee - KUNI)	\$ 118,742	\$ 235,147
Iowa State University of Science & Technology (Licensee - WOI)	907,350	388,936
State University of Iowa (Licensee - WSUI)	103,875	123,888
Interim executive and assistant positions paid to University of Northern Iowa (Licensee - KUNI)	<u>-0-</u>	<u>80,396</u>
Total salaries, wages and benefits	<u>\$1,129,967</u>	<u>\$ 828,367</u>

2. TRANSACTIONS WITH STATE UNIVERSITIES - continued

Accrued vacation and sick leave payable to each university at June 30, 2010 and 2009 are as follows:

<u>University</u>	<u>2010</u>	<u>2009</u>
University of Northern Iowa (Licensee - KUNI)	\$ 11,077	\$ 10,904
Iowa State University of Science & Technology (Licensee - WOI)	<u>67,538</u>	<u>38,600</u>
Total accrued compensated absences	<u>\$ 78,615</u>	<u>\$ 49,504</u>

The amount payable to the University of Northern Iowa for other expenses was \$381 and \$483 as of June 30, 2010 and 2009, respectively.

The amount payable to Iowa State University for other expenses was \$27,836 and \$6,650 as of June 30, 2010 and 2009, respectively.

The amount payable to Friends of KHKE/KUNI, Inc., an entity that supports KUNI for fund-raising expenses was \$10,955 at June 30, 2010. The amount receivable from Friends of KHKE/KUNI, Inc. for event income was \$8,137 at June 30, 2010.

Financial statements for the State of Iowa Universities can be obtained from Iowa State University of Science & Technology at Controller's Department, Iowa State University, 3607 Administrative Services Building, Ames, IA 50011-3607, the State University of Iowa at Controller's Office, University of Iowa, Jessup Hall, Iowa City, IA 52242, and the University of Northern Iowa at Financial Accounting and Reporting Services, 122 Lang Hall, Cedar Falls, IA 50614-0009.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are held by Iowa State University Foundation and/or Iowa State University of Science and Technology and consist of unrestricted cash on hand, in checking, savings, and money market accounts, and highly liquid investments with original maturities of less than three months. Cash equivalents are readily convertible to known amounts of cash.

Investments contributed to the Organization are recorded at fair market value on the date of the gift. The Organization held no investments as of June 30, 2010 and 2009.

Investment return for 2010 and 2009 is summarized as follows:

	<u>2010</u>	<u>2009</u>
Gain (loss) on sale of investments	\$ (16)	\$ 674
Investment return	<u>\$ (16)</u>	<u>\$ 674</u>

The Organization's cash and cash equivalents are subject to the following risks:

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2010, the Organization's cash and cash equivalents were highly concentrated in Iowa State University and Iowa State University Foundation cash accounts.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS - continued

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the Organization may not be able to recover deposits or collateral securities. As of June 30, 2010, the carrying amount of deposits with the University totaled \$1,159. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund. As of June 30, 2010, the carrying amount of deposits with The Iowa State University Foundation totaled \$323,344. The Foundation maintains deposits in financial institutions that consistently exceed the FDIC insured limit. The Foundation has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2010 and 2009 were pledges made to the Organization and consisted of the following:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 225,854	\$ 227,157
Less allowance for uncollectible promises to give	<u>(21,772)</u>	<u>(32,938)</u>
Net unconditional promises to give	<u>\$ 204,082</u>	<u>\$ 194,219</u>

5. I-JOBS ALLOCATION AGENCY TRANSACTIONS

During the fiscal year ended June 30, 2010, the Iowa Board of Regents received an I-JOBS allocation of \$1.9 million for major renovation, repairs and other infrastructure needs related to Iowa Public Radio. The allocation will be spent at the universities' radio stations based on the project budget presented to the Board of Regents. Revenue from the allocation will be recognized by the universities' radio stations when the expenditures are incurred. The Organization, serving as management for the universities' radio stations, is responsible for reporting to the Board of Regents and collecting and disbursing the I-JOBS allocation to the universities' radio stations. The Organization serves only in an agency function for the allocation. Agency funds receivable as of June 30, 2010 was \$14,400. The amount payable to Iowa State University for approved project expenditures as of June 30, 2010 was \$14,400. I-JOBS spending for the year ended June 30, 2010 is as follows:

Iowa State University of Science & Technology (Licensee - WOI)	<u>\$ 14,000</u>
Total	<u>\$ 14,000</u>

6. CAPITAL ASSETS

A summary of capital assets at June 30, 2010 is as follows:

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Furniture and Fixtures	\$ 3,114	\$ -0-	\$ -0-	\$ 3,114
Equipment	<u>10,240</u>	<u>-0-</u>	<u>-0-</u>	<u>10,240</u>
Total	_ _ <u>13,354</u>	_ _ _ <u>-0-</u>	_ _ _ _ _	_ _ <u>13,354</u>
Less accumulated depreciation:				
Furniture and fixtures	(13)	(311)	-0-	(324)
Equipment	<u>(1,067)</u>	<u>(2,560)</u>	<u>-0-</u>	<u>(3,627)</u>
Total	<u>(1,080)</u>	<u>(2,871)</u>	<u>-0-</u>	<u>(3,951)</u>
Capital assets, net	<u>\$ 12,274</u>	<u>\$ (2,871)</u>	<u>\$ -0-</u>	<u>\$ 9,403</u>

A summary of capital assets at June 30, 2009 is as follows:

<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Furniture and Fixtures	\$ -0-	\$ 3,114	\$ -0-	\$ 3,114
Equipment	<u>-0-</u>	<u>10,240</u>	<u>-0-</u>	<u>10,240</u>
Total	_ _ _ <u>-0-</u>	_ _ <u>13,354</u>	_ _ _ <u>-0-</u>	_ _ <u>13,354</u>
Less accumulated depreciation:				
Furniture and fixtures	-0-	(13)	-0-	(13)
Equipment	<u>-0-</u>	<u>(1,067)</u>	<u>-0-</u>	<u>(1,067)</u>
Total	<u>-0-</u>	<u>(1,080)</u>	<u>-0-</u>	<u>(1,080)</u>
Capital assets, net	<u>\$ -0-</u>	<u>\$ 12,274</u>	<u>\$ -0-</u>	<u>\$ 12,274</u>

7. COMPENSATED ABSENCES

Employees of the Organization are paid through State of Iowa Public Universities. University employees accumulate vacation and sick leave under the provisions of Chapter 79 and 262 of the Code of Iowa, and it is the policy of the State to liquidate these accrued benefits under specific circumstances. Accrued vacation is paid at 100% of the employees' hourly rate upon retirement, death or termination and accrued sick leave is paid at 100% of the hourly rate up to a maximum of \$2,000 upon retirement. As of June 30, 2010 and 2009, the amount to liquidate accrued vacation and sick leave amounts to approximately \$78,615 and \$49,504, respectively.

8. LEASE COMMITMENTS

The Organization has leased studio and administrative space. This lease has been classified as an operating lease and, accordingly, rent is charged to expense as incurred. This lease expires on February 1, 2019 and requires a minimum monthly base rent of \$2,855 through February 1, 2014 and \$3,400 through February 1, 2019. The lease agreement requires the payment of monthly pass-through charges for the Organization's share of utilities, services, and taxes.

8. LEASE COMMITMENTS - continued

Lease expense charged to operations for base rent and pass-through charges in 2010 and 2009 was \$64,235 and \$27,325, respectively.

Future minimum lease payments under all noncancellable operating leases for the next five years and in aggregate are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 34,260
2012	34,260
2013	34,260
2014	36,985
2015	40,800
Thereafter	<u>146,200</u>
Total	<u>\$ 326,765</u>

9. RETIREMENT PLANS

The Organization's employees participate in retirement plans through the Board of Regents Public Universities:

Teachers Insurance and Annuity Association (TIAA-CREF)

Each public university contributes to the Teachers Insurance and Annuity Association - College Retirement Equity Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for each University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provision and contribution requirements. As required by the Board of Regent's policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF for fiscal year 2010 and 2009, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 5 1/3% and 6 2/3%, respectively of the first \$4,800 of earnings and 8% and 10%, respectively on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5% and the University contributes 8% and 10%, respectively, on all earnings.

Iowa Public Employees Retirement System

Each public university contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117. For the years ended June 30, 2010 and 2009, plan members are required to contribute 4.3% and 4.1%, respectively, of their annual covered salary and the University is required to contribute 6.65% and 6.35%, respectively, of annual covered payroll.

The Organization's share of employer contributions to university TIAA-CREF and IPERS retirement plans is included in salaries, wages and benefits expense for the years ended June 30, 2010 and 2009.

9. RETIREMENT PLANS - continued

Early Retirement Incentive Program

During the fiscal year ended June 30, 2009, the Organization had an employee elect participation in the Early Retirement Incentive Program offered by the University of Northern Iowa. Eligible employees were required to have been 57 years or older and their age plus years of service had to equal 70 or more on or before the date of retirement. Employees who met the eligibility requirements had to apply for the program by July 31, 2009 and retire between June 1, 2009 and December 31, 2009.

The University of Northern Iowa charges the Organization for the retirement incentive portion of the Early Retirement Incentive Program for the employee who elected participation. The Organization reimburses the University of Northern Iowa for the employer's retirement contribution to TIAA-CREF for 5 years, based on the employee's annual salary as of May 1, 2009. In the event of the employee's death, the Organization's obligation to pay the cost of the TIAA-CREF contribution will cease on the first day of the month following the date of death.

As of June 30, 2010 and 2009, the present value of future benefits was \$27,029 and \$71,417, respectively. The interest rate utilized to calculate the present value was 5%. All incentive payments are financed on a pay-as-you-go basis.

For the year ended June 30, 2010, the Organization recognized revenue of \$36,903 under the program due to a change in the program cost charged to the department and the program cost absorbed by the University.

For the year ended June 30, 2009, the Organization charged expense of \$71,412 to operations under this program.

Early Retirement Benefits payable activity for the year ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 71,417	\$ -0-
Accruals and adjustments	(36,757)	71,417
Payments	<u>(7,631)</u>	<u>-0-</u>
Balance June 30	<u>\$ 27,029</u>	<u>\$ 71,417</u>

10. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are subject to insurance coverage of catastrophic property, general liability, employee dishonesty, worker's compensation, multi-media liability and director and officers' policies.

11. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for possible adjustment or disclosure through May 25, 2011. The date the financial statements were available to be issued.

Supplemental Information

IOWA PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	Program Services			Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	Management and General	Fund-raising and Membership Development	
Contribution expense - Stations	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,208,807	\$ -0-	\$ 1,208,807
Salaries and wages	209,220	149,583	38,970	397,773	438,922	293,272	732,194
and benefits	37,025	5,646	209,572	252,243	99,732	37,703	137,435
Services	-0-	5,091	-0-	5,091	64,791	-0-	64,791
Facilities	8,887	2,900	6,565	18,352	13,527	34,561	48,088
Supplies	-0-	-0-	3,091	3,091	980	60,828	61,808
Printing	993	333	35	1,361	23,126	2,844	25,970
Professional development	10,411	283	309	11,003	9,704	5,098	14,802
Travel	-0-	-0-	-0-	-0-	22,743	-0-	22,743
Telecommunications	-0-	-0-	-0-	-0-	14,555	-0-	14,555
Recruitment	-0-	-0-	35	35	2,296	8,879	11,175
Postage	4,200	-0-	-0-	4,200	-0-	-0-	-0-
Programming fees	-0-	-0-	-0-	-0-	2,871	-0-	2,871
Depreciation	-0-	775	-0-	775	1	-0-	1
Repairs and maintenance	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total expenses	\$ 270,736	\$ 164,611	\$ 258,577	\$ 693,924	\$ 1,902,055	\$ 443,185	\$ 2,345,240
							\$ 3,039,164

See Independent Auditor's Report.

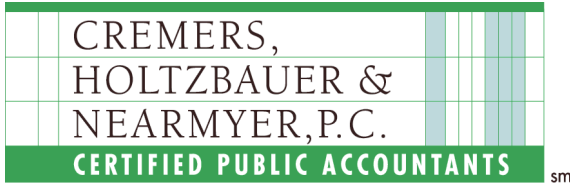
IOWA PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2009

	Program Services				Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services	Management and General	Fund-raising and Membership Development	Total Support Services	
Contribution expense - Stations	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$1,684,732	\$ -0-	\$ 1,684,732	\$ 1,684,732
Salaries, wages and benefits	82,815	194,725	123,887	401,427	355,564	71,376	426,940	828,367
Services	26,056	-0-	5,802	31,858	58,072	16,722	74,794	106,652
Facilities	-0-	-0-	-0-	-0-	27,325	-0-	27,325	27,325
Supplies	482	-0-	3,456	3,938	6,656	28,721	35,377	39,315
Printing	-0-	-0-	734	734	59	8,250	8,309	9,043
Professional development	591	-0-	-0-	591	4,188	42	4,230	4,821
Travel	6,605	893	2,975	10,473	12,233	2,759	14,992	25,465
Telecommunications	876	-0-	247	1,123	2,170	721	2,891	4,014
Recruitment	61	-0-	-0-	61	69,375	62	69,437	69,498
Postage	-0-	-0-	-0-	-0-	153	4,300	4,453	4,453
Depreciation	-0-	-0-	-0-	-0-	1,080	-0-	1,080	1,080
Total expenses	<u>\$ 117,486</u>	<u>\$ 195,618</u>	<u>\$ 137,101</u>	<u>\$ 450,205</u>	<u>\$2,221,607</u>	<u>\$ 132,953</u>	<u>\$ 2,354,560</u>	<u>\$ 2,804,765</u>

See Independent Auditor's Report.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Iowa Public Radio, Inc.:

We have audited the financial statements of Iowa Public Radio, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated May 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Public Radio, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Public Radio, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Public Radio, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and/or material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

See Independent Auditor's Report.

Dale E. Cremers, CPA
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Members:

PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified Public
Accountants

Forensic Accountants
Society of North America

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

We consider the following deficiencies to be significant deficiencies or material weaknesses as shown below. The auditee's response to our findings is included for each identified finding:

Significant Deficiencies

10-1 Separation of Duties

The size of the office staff precludes a proper separation of functions to assure adequate internal control. This is not unusual in enterprises of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of matters relating to the Organization's operations.

Auditee's Response

The Organization is aware of the lack of separation of duties and controls due to the size of organization. The Board of Directors and management have considered the additional cost necessary to further separate duties against the economic benefits that may be achieved. The Board of Directors and management will continue oversight of current operations on a consistent timely basis.

Material Weaknesses

10-2 Financial Statements

Management does not possess sufficient skill and accounting knowledge to prepare the Organization's financial statements. Management also lacks the expertise necessary to prevent, detect, and correct a potential material misstatement in the financial statements. Under these conditions, the most effective controls lie in the oversight by the Board of Directors in regards to financial reporting.

Auditee's Response

The Organization acknowledges that they do not possess the resources and professional accounting skills to prepare a complete financial statement and the required disclosures. Subsequent to year end, the Board of Directors and management have hired financial employees capable of preparing the financial statements. It is planned, in future years, that the Organization will prepare the annual financial statements. The Board of Directors and management will continue to review internally prepared monthly financial statements and will review the annual financial statements with the auditor.

Material Weaknesses - continued

10-3 Accounting System

The Organization uses accounting software that allows the employees responsible for maintaining the general ledger to change an original entry transaction after it has been posted. The Organization does not review the audit trail of the software to identify any possible changes made to the original transaction. Under these conditions, the most effective controls lie in the oversight by the Board of Directors in regards to financial reporting.

Auditee's Response

The Organization is aware of the inherent control weaknesses of the accounting system. The Board of Directors and management will continue to monitor monthly and annual financial statements and accounting records supporting the financial statements on a consistent timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Public Radio, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Iowa Public Radio, Inc.'s response to the findings identified in our audit is shown above and identified as "Auditee's Response." We did not audit Iowa Public Radio, Inc.'s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, others within Iowa Public Radio, Inc. and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Creemers, Holtzbauer & Nearmyer, P.C.

CREMERS, HOLTZBAUER & NEARMYER, P.C.
Certified Public Accountants

May 25, 2011