

**IOWA PUBLIC RADIO, INC.**

**Audited Financial Statements  
for the Years Ended  
June 30, 2011 and 2010 and  
Independent Auditor's Report**

IOWA PUBLIC RADIO, INC.

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June 30, 2011

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IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

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, 2011, 2010 and 2009. 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, State of Iowa, established Iowa Public Radio, Inc. to manage the day-to-day operations including management, programming and technical support of the public radio operations at the three Regents' universities. This includes the KUNI Radio Group at the University of Northern Iowa, the WOI Radio Group at Iowa State University and the WSUI 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 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 Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements 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.

The Statements of Net Assets

The Statements of Net Assets present 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.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

	June 30,		
	2011	2010	2009
<b>Assets:</b>			
Current assets	\$ 843,858	\$ 746,419	\$ 463,372
Capital assets, net	76,710	9,403	12,274
Total assets	<u>\$ 920,568</u>	<u>\$ 755,822</u>	<u>\$ 475,646</u>
<b>Liabilities:</b>			
Current liabilities	\$ 499,791	\$ 592,454	\$ 404,582
Long-term liabilities	19,309	19,627	58,790
Total liabilities	<u>\$ 519,100</u>	<u>\$ 612,081</u>	<u>\$ 463,372</u>
<b>Net assets:</b>			
Invested in capital assets	\$ 76,710	\$ 9,403	\$ 12,274
Restricted			18,208
Unrestricted	324,758	134,338	(18,208)
Total net assets	<u>\$ 401,468</u>	<u>\$ 143,741</u>	<u>\$ 12,274</u>
Total liabilities and net assets	<u>\$ 920,568</u>	<u>\$ 755,822</u>	<u>\$ 475,646</u>
Change in net assets	<u>\$ 257,727</u>	<u>\$ 131,467</u>	<u>\$ 12,274</u>

Total assets at June 30, 2011 increased 21.8% to \$920,568 compared to total assets of \$755,822 at the end of the prior fiscal year. The increase in current assets is primarily due to increases in the receivable for agency funds and in unconditional promises to give. Total current assets at the end of fiscal year 2010 increased compared to total current assets at the end of fiscal year 2009 due to increases in underwriting receivables and in cash and cash equivalents. In January, 2010, the underwriting function for the radio stations 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 radio stations and therefore were reflected on the financial statements of each of the stations.

Capital assets at June 30, 2011 increased significantly compared to capital assets at the end of the prior fiscal year. This increase is primarily due to the addition of a newly developed website. Capital assets decreased slightly at the end of fiscal year 2010 compared to capital assets at the end of fiscal year 2009.

Total liabilities at June 30, 2011 decreased 15.2% to \$519,100 compared to total liabilities of \$612,081 at the end of the prior fiscal year. The decrease in current liabilities is primarily due to a decrease in contributions payable to the stations offset by an increase in payables due to a related party. Long-term liabilities decreased due to a slight decrease in early retirement benefits payable offset by an increase in accrued benefits. Total liabilities at

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

the end of fiscal year 2010 increased compared to total liabilities at the end of fiscal year 2009 primarily due to an increase in advance payments on underwriting agreements.

Total net assets at June 30, 2011 increased significantly to \$401,468 compared to total net assets of \$143,741 at the end of the prior fiscal year. Total net assets at the end of fiscal year 2010 increased compared to the total net assets at the end of fiscal year 2009. IPR's net assets are largely comprised of unrestricted net assets which may be used at management's discretion to meet current obligations.

The Statements of Revenues, Expenses and Changes in Net Assets

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

	For the years ended June 30,		
	2011	2010	2009
Total operating revenues	\$ 3,508,126	\$ 2,808,918	\$ 2,403,353
Total operating expenses	3,648,588	3,039,164	2,804,765
Operating loss	(140,462)	(230,246)	(401,412)
Non-operating revenues (expenses) - net	398,189	361,713	413,686
Change in net assets	\$ 257,727	\$ 131,467	\$ 12,274

Total operating revenues for the year ended June 30, 2011 increased 24.9% to \$3,508,126 compared to \$2,808,918 for the year ended June 30, 2010. Major components of operating revenues are as follows:

- Underwriting revenue, net of allowances, increased operating revenues by \$454,179 contributing significantly to the increase in total operating revenues. Underwriting revenue is reported on the financial statements of IPR for the entire fiscal year ending June 30, 2011 due to the completion of the centralization of underwriting to IPR.
- Revenue from special events and projects increased operating revenues by \$117,934. This increase was primarily due to the revenue received from participation in the Harvest Public Media project – an initiative of several Midwest public broadcasting stations – and the launch of the Insight Series – a series of presentations by public radio's most acclaimed voices.
- Major gifts increased operating revenues by \$91,618.
- Contributions, net of allowances, increased operating revenues by \$35,477.

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. This increase was due to increased underwriting revenue and income from special events that did not occur in 2009.

Total operating expenses for the year ended June 30, 2011 increased 20.1% to \$3,648,588 compared to \$3,039,164

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

for the year ended June 30, 2010. Major components of operating expenses are as follows:

- Programming and production related expenses increased operating expenses by \$443,556 primarily due to additional salaries, wages and benefits and programming fees.
- Broadcasting and engineering related expenses increased operating expenses by \$305,843 primarily due to additional salaries, wages and benefits.
- Fundraising and membership development related expenses increased operating expenses by \$282,623 primarily due to additional expenses incurred for services and for printing and postage due to the consolidation of these activities at IPR.
- Program information and promotion related expenses increased operating expenses by \$111,883 primarily due to increases in professional services related to events held by IPR.
- Depreciation expense increased operating expenses by \$5,330.
- Management and general related expenses decreased operating expenses by \$539,811 primarily due to a decrease in contribution expense to the stations.

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. This increase was primarily due to increases in salaries, wages and benefits and services offset by a decrease in contribution expense to the stations.

Non-operating revenues (expenses) for the year ended June 30, 2011 increased 10.1% to \$398,189 compared to \$361,713 for the year ended June 30, 2010. This increase was primarily due to the decrease in non-capitalized equipment expenditures and an increase in ISDN studio rental revenue.

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.

The Statements of Cash Flows

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

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

	For the years ended June 30,		
	2011	2010	2009
Cash from operating activities	\$ (374,779)	\$ (262,254)	\$ (432,815)
Cash from non-capital financing activities	409,206	406,318	492,500
Cash from capital financing activities	(86,559)	(44,589)	(42,842)
Cash from investing activities	2,155	1,715	13,336
Net change in cash	(49,977)	101,190	30,179
Cash beginning of year	324,503	223,313	193,134
Cash end of year	\$ 274,526	\$ 324,503	\$ 223,313

Cash from operating activities decreased to (\$374,779) for the year ended June 30, 2011 compared to (\$262,254) for the year ended June 30, 2010 primarily due to increases in payments to employees for salaries, wages and benefits and to suppliers for goods and services offset by additional cash received for underwriting agreements and from special events and projects.

Cash from non-capital financing activities increased to \$409,206 for the year ended June 30, 2011 compared to \$406,318 for the year ended June 30, 2010 due to cash received from ISDN studio rental revenue in 2011.

Cash from capital financing activities decreased to (\$86,559) for the year ended June 30, 2011 compared to (\$44,589) for the year ended June 30, 2010 due to an increase in capitalized equipment purchases and a decrease in non-capitalized equipment purchases during 2011.

Cash from investing activities increased to \$2,155 for the year ended June 30, 2011 compared to \$1,715 for the year ended June 30, 2010 due to proceeds from the sale of donated securities.

The net decrease in cash and cash equivalents was \$49,977 for the year ended June 30, 2011 compared to a net increase of \$101,190 for the year ended June 30, 2010.

Capital Assets

At June 30, 2011, IPR had \$88,862 in capital assets, with accumulated depreciation of \$12,152, for net capital assets of \$76,710. Depreciation charges for 2011 totaled \$8,201. Capital assets, net of accumulated depreciation, were as follows:

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

	For the years ended June 30,		
	2011	2010	2009
Furniture and fixtures	\$ 7,344	\$ 2,790	\$ 3,101
Equipment	22,397	6,613	9,173
Website	46,969		
Total capital assets - net	<u>\$ 76,710</u>	<u>\$ 9,403</u>	<u>\$ 12,274</u>

In June, 2011, Iowa State University on behalf of WOI Radio Group, entered into a letter of intent for the purchase of certain assets used or to be used in the transmission of radio stations KZHZ-FM in Patterson, IA and KZHC-FM in Pleasantville, IA for the purchase price of \$1,750,000. Funding for the purchase price shall be obtained through funding, contributions and financing as follows:

	Amount
Source of funding:	
IJOBS funding awarded to Iowa Public Radio	\$ 500,000
Contribution from WSUI Radio Group	164,000
Contribution from KUNI Radio Group	75,000
WOI Radio Group investment	434,000
Internal financing from Iowa State University	577,000
	<u>\$ 1,750,000</u>

Iowa State University will serve as the licensee for the stations. Iowa Public Radio has committed to funding the debt service payments of the financing portion of the purchase price. These payments will be considered contributions to WOI Radio Group.

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. During 2011, IPR completed a 5-year strategic plan which includes a 5-year funding illustration to accomplish this financial dependence.

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



IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the Years Ended June 30, 2011, 2010 and 2009

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, IA 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, 2011 and 2010 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.

Dale E. Cremers, CPA  
Robert W. Holtzbauer, CPA  
Roger D. Nearmyer, CPA

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 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.

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Suite 600W  
Urbandale, IA 50322-2871

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, 2011 and 2010, and the respective changes in financial position and 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*, we have also issued a report dated May 31, 2012 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that 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 internal control over financial reporting or on compliance. That 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.

Members:  
PCPS Section of the  
American Institute of  
Certified Public Accountants  
Iowa Society of Certified  
Public Accountants  
Forensic Accountants  
Society of North America

The Management's Discussion and Analysis, on pages 1-6, is not a required part of the basic financial statements, but is supplementary information required by 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Iowa Public Radio, Inc. as listed in the table of contents. The accompanying supplementary information, on pages 24 - 25 is presented for purpose of additional analysis and is not a required part of the basic financial statements. The schedules of functional expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Creemers, Holtzbaue & Nearmyer, P.C.*

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

May 31, 2012

IOWA PUBLIC RADIO, INC.

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 274,526	\$ 324,503
Unconditional promises to give, less allowance for doubtful accounts; \$29,380 in 2011 and \$21,772 in 2010	274,468	204,082
Underwriting receivable, less allowance for doubtful accounts; \$23,109 in 2011 and \$26,801 in 2010	110,726	114,784
Accounts receivable	15,601	-
Due from related party	36,484	-
Agency funds receivable	110,756	14,400
Grants receivable	-	37,500
Prepaid expenses	21,297	51,150
Total current assets	<u>843,858</u>	<u>746,419</u>
Capital assets, net	76,710	9,403
Total assets	<u>\$ 920,568</u>	<u>\$ 755,822</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Accounts payable	\$ 34,266	\$ 20,989
Due to related party	154,523	39,172
Advance payments on underwriting agreements	136,029	98,656
Contributions payable to stations	39,149	347,620
Compensated absences	122,892	78,615
Current portion - early retirement benefits payable	7,043	7,402
Current portion - accrued benefits payable	5,889	-
Total current liabilities	<u>499,791</u>	<u>592,454</u>
Early retirement benefits payable - net of current portion	12,585	19,627
Accrued benefits payable - net of current portion	6,724	-
Total liabilities	<u>519,100</u>	<u>612,081</u>
Net assets		
Invested in capital assets - net of related debt	76,710	9,403
Restricted	-	-
Unrestricted	<u>324,758</u>	<u>134,338</u>
Total net assets	<u>401,468</u>	<u>143,741</u>
Total liabilities and net assets	<u>\$ 920,568</u>	<u>\$ 755,822</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, 2011 and 2010

<b><u>OPERATING REVENUES</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Contributions - net	\$ 2,290,996	\$ 2,255,519
Program underwriting - net	938,402	484,223
Major gifts	91,618	-
Special events and projects	187,110	69,176
Total operating revenues	<u>3,508,126</u>	<u>2,808,918</u>
<b><u>OPERATING EXPENSES</u></b>		
Program services		
Programming and production	714,292	270,736
Broadcasting and engineering	470,454	164,611
Program information and promotion	370,460	258,577
Support services		
Management and general	1,359,373	1,899,184
Fundraising and membership development	725,808	443,185
Depreciation	8,201	2,871
Total operating expenses	<u>3,648,588</u>	<u>3,039,164</u>
Operating loss	<u>(140,462)</u>	<u>(230,246)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
State appropriations	406,318	406,318
Investment return	34	(16)
Rental revenue	2,887	-
Non-capitalized equipment and improvements	(11,050)	(44,589)
Total non-operating revenues (expenses) - net	<u>398,189</u>	<u>361,713</u>
Change in net assets	257,727	131,467
Net assets, beginning of year	143,741	12,274
Net assets, end of year	<u>\$ 401,468</u>	<u>\$ 143,741</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, 2011 and 2010

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash received from memberships and fundraising campaigns	\$ 2,310,107	\$ 2,243,926
Cash received from program underwriting	979,832	468,096
Cash received from special events and projects	171,510	69,176
Cash received from operating grants	37,500	-
Cash payments to employees for salaries, wages and benefits	(1,968,283)	(1,145,244)
Cash payments to suppliers for goods and services	(1,172,998)	(728,643)
Cash payments to state universities for memberships and fundraising campaigns	<u>(732,447)</u>	<u>(1,169,565)</u>
Net cash flows used by operating activities	<u>(374,779)</u>	<u>(262,254)</u>
 <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Cash received from state appropriations	406,318	406,318
Cash received from rental income	2,888	-
Net cash flows provided by non-capital financing activities	<u>409,206</u>	<u>406,318</u>
 <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Purchase of equipment - non-capitalized	(11,050)	(44,589)
Purchase of equipment - capitalized	<u>(75,509)</u>	-
Net cash flows used by capital financing activities	<u>(86,559)</u>	<u>(44,589)</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sale of donated securities	2,124	1,715
Cash received from investment income	31	-
Net cash flows provided by investing activities	<u>2,155</u>	<u>1,715</u>
Net increase (decrease) in cash and cash equivalents	(49,977)	101,190
Cash and cash equivalents - beginning of year	<u>324,503</u>	<u>223,313</u>
Cash and cash equivalents - end of year	<u>\$ 274,526</u>	<u>\$ 324,503</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET</u></b>		
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating loss	\$ (140,462)	\$ (230,246)
Transactions not requiring cash:		
Depreciation	8,201	2,871
Donated securities	(2,121)	(1,731)
(Increase) decrease in:		
Accounts receivable	(15,601)	-
Due from related party	(36,484)	-
Agency funds receivable	(96,356)	(14,400)
Pledges and underwriting receivable	(66,328)	(124,647)
Grant receivable	37,500	-
Prepaid expenses	29,853	(42,810)
Increase (decrease) in:		
Accounts payable	13,277	(5,951)
Contributions payable	(308,471)	39,242
Due to related party	115,351	32,039
Advance payments on underwriting agreements	37,373	98,656
Accrued compensated absences	44,278	29,111
Early retirement benefits payable	(7,402)	(44,388)
Accrued benefits	12,613	-
Net cash flows used by operating activities	<u>\$ (374,779)</u>	<u>\$ (262,254)</u>

DISCLOSURE OF NON-CASH FINANCING AND INVESTING TRANSACTIONS:

Iowa Public Radio, Inc. received donated securities in the amount of \$2,121 and \$1,731 for the years ended June 30, 2011 and 2010, respectively.

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

IOWA PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Iowa Public Radio, Inc. (the "Organization") is organized as a public benefit corporation under the Revised Iowa Non-Profit 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 University of Northern Iowa, Iowa State University and the University of Iowa. The state universities are divisions of the State of Iowa, governed by the Board of Regents, State of Iowa ("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 non-profit 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's mission is to inform, enrich and engage Iowans through radio programming and other media. The Organization 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.

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, non-expendable* - 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.

The Organization did not have any net assets classified as restricted for either 2011 or 2010.

#### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") 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 furniture and fixtures and equipment includes all items with a unit cost of at least \$1,000 and an estimated useful life of greater than one year. Improvements 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 and fixtures and 4 years for equipment. Depreciation expense charged to operations for 2011 and 2010 was \$5,070 and \$2,871, respectively.

The Organization's capitalization policy for website development includes internal and external costs incurred to develop the website during the application development stage. Amortization is calculated using the straight-line method over an estimated useful life of 4 years. Amortization expense charged to operations for 2011 was \$3,131.

Leasehold improvements and equipment purchases not meeting the Organization's capitalization policy charged to operations for 2011 and 2010 were \$11,050 and \$44,589, 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. 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.

#### Unconditional Promises to Give

Unconditional promises to give are periodically evaluated for collectability based on payment history with the donor, time elapsed since the pledge was received and the number of collection attempts the Organization has made. Based on these criteria, management determines an appropriate allowance for doubtful accounts. The allowance for doubtful accounts totaled \$29,380 and \$21,772 as of June 30, 2011 and 2010, respectively.

#### Program Underwriting

As of January 2010, the Organization assumed all billing and collection activities of program underwriting for the radio stations licensed to the state universities. 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 accounts based on a review of all outstanding amounts. Management determines an appropriate 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 allowance for doubtful accounts totaled \$23,109 and \$26,801 as of June 30, 2011 and 2010, respectively.

#### 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 Non-Operating Activities

Operating activities generally result from the management, programming, technical support and fundraising for the radio stations licensed to the state universities. Revenues restricted by donors for the use of capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

#### Functional Allocation of Expenses

The cost of providing program services, support services and depreciation are summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Assets and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated between program and support 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, 2008 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 expenses are charged to operations in the period in which they are incurred. Advertising expense charged to operations for the years ended June 30, 2011 and 2010 totaled \$42,008 and \$152,251, respectively.

### Fair Value of Financial Instruments

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

The carrying value of the accrued early retirement benefits payable 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 2010 amounts have been reclassified to conform with the 2011 presentation.

## 2. TRANSACTIONS WITH STATE UNIVERSITIES

In May 2007, the Organization entered into a public service operating agreement to manage the day-to-day operations of the radio stations on behalf of the Board of Regents and the universities consistent with Federal Communications Commission ("FCC") requirements for licensee control. The Organization provides services to each of the universities including management, programming and technical support and serves as the primary fundraising entity. Contribution expense for the years ended June 30, 2011 and 2010 and contributions payable as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Contribution expense		
University of Northern Iowa (Licensee: KUNI)	\$ -	\$ 189,131
Iowa State University (Licensee: WOI)	423,976	818,575
University of Iowa (Licensee: KSUI)	-	201,101
Total contribution expense	<u>\$ 423,976</u>	<u>\$ 1,208,807</u>

	<u>2011</u>	<u>2010</u>
Contributions payable		
University of Northern Iowa (Licensee: KUNI)	\$	\$ 46,034
Iowa State University (Licensee: WOI)		207,437
University of Iowa (Licensee: KSUI)	39,149	94,149
<b>Total contribution payable</b>	<u>\$ 39,149</u>	<u>\$ 347,620</u>

Employees of the Organization 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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
University of Northern Iowa (Licensee: KUNI)	\$ 82,393	\$ 118,742
Iowa State University (Licensee: WOI)	1,945,980	907,350
University of Iowa (Licensee: KSUI)	39,344	103,875
<b>Total salaries, wages and benefits</b>	<u>\$ 2,067,717</u>	<u>\$ 1,129,967</u>

Accrued compensated absences including vacation and sick leave payable to each university at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
University of Northern Iowa (Licensee: KUNI)	\$ 11,188	\$ 11,077
Iowa State University (Licensee: WOI)	111,704	67,538
<b>Total compensated absences</b>	<u>\$ 122,892</u>	<u>\$ 78,615</u>

The amount payable to the University of Northern Iowa for other expenses was \$23,214 and \$381 as of June 30, 2011 and 2010, respectively.

The amount payable to Iowa State University for other expenses was \$13,436 and \$27,836 as of June 30, 2011 and 2010, respectively. The amount receivable from Iowa State University for other expenses was \$36,484 and \$0 as of June 30, 2011 and 2010, respectively.

The amount payable to the University of Iowa for other expenses was \$26,731 and \$0 as of June 30, 2011 and 2010, respectively.

The amount payable to Friends of KHKE/KUNI, Inc., an entity that provides fundraising support, was \$0 and \$10,955 as of June 30, 2011 and 2010, respectively. The amount receivable from Friends of KHKE/KUNI, Inc. for event income was \$0 and \$8,137 at June 30, 2011 and 2010, respectively.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents of the Organization are held by Iowa State University (the "University") and Iowa State University Foundation (the "Foundation") 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 value on the date of the gift. The Organization held no investments as of June 30, 2011 and 2010.

Investment return for the years ended June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Gain (loss) on sale of investments	\$ 3	\$ (16)
Interest income	25	-
Dividend income	6	-
Investment return	<u>\$ 34</u>	<u>\$ (16)</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, 2011, the Organization's cash and cash equivalents were highly concentrated in the University and Foundation cash accounts.

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. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund. 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.

Financial statements for the Foundation can be obtained from the Iowa State University Foundation at 2505 University Boulevard, Ames, IA 50010.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2011 and 2010 were pledges made to the Organization and consisted of the following:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 303,848	\$ 225,854
Less allowance for uncollectible promises to give	(29,380)	(21,772)
Net unconditional promises to give	<u>\$ 274,468</u>	<u>\$ 204,082</u>

5. I-JOBS ALLOCATION AGENCY TRANSACTIONS

During the year ended June 30, 2010, the Board of Regents received an I-JOBS allocation of \$1.9 million for major renovation, repairs and other infrastructure needs related to the Organization. The allocation is being spent at the radio stations based on the project budget presented to the Board of Regents. Revenue from the allocation is recognized by the radio stations as the expenditures are incurred. The Organization, serving as management for the radio stations, is responsible for reporting to the Board of Regents and collecting and disbursing the I-JOBS allocation to the radio stations. The Organization serves only in an agency capacity for the allocation. As of June 30, 2011 and 2010, agency funds receivable was \$110,756 and \$14,400, respectively. The amount payable for approved project expenditures by entity for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Iowa State University (Licensee: WOI)	\$ 53,672	\$ 14,400
University of Northern Iowa (Licensee: KUNI)	37,470	-
Other vendors	19,614	-
Total	<u>\$ 110,756</u>	<u>\$ 14,400</u>

I-JOBS spending by entity for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Iowa State University (Licensee: WOI)	\$ 579,575	\$ 14,400
University of Northern Iowa (Licensee: KUNI)	120,614	-
Total	<u>\$ 700,189</u>	<u>\$ 14,400</u>

6. CAPITAL ASSETS

A summary of capital assets at June 30, 2011 is as follows:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>
Furniture & fixtures	\$ 3,114	\$ 5,167	\$ -	\$ 8,281
Equipment	10,240	20,241	-	30,481
Website	-	50,100	-	50,100
Total	<u>13,354</u>	<u>75,508</u>	<u>-</u>	<u>88,862</u>
Less accumulated depreciation:				
Furniture & fixtures	(324)	(613)	-	(937)
Equipment	(3,627)	(4,457)	-	(8,084)
Website	-	(3,131)	-	(3,131)
Total	<u>(3,951)</u>	<u>(8,201)</u>	<u>-</u>	<u>(12,152)</u>
Capital assets, net	<u>\$ 9,403</u>	<u>\$ 67,307</u>	<u>\$ -</u>	<u>\$ 76,710</u>

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

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>
Furniture & fixtures	\$ 3,114	\$ -	\$ -	\$ 3,114
Equipment	10,240	-	-	10,240
Total	<u>13,354</u>	<u>-</u>	<u>-</u>	<u>13,354</u>
Less accumulated depreciation:				
Furniture & fixtures	(13)	(311)	-	(324)
Equipment	<u>(1,067)</u>	<u>(2,560)</u>	-	<u>(3,627)</u>
Total	<u>(1,080)</u>	<u>(2,871)</u>	<u>-</u>	<u>(3,951)</u>
Capital assets, net	<u>\$ 12,274</u>	<u>\$ (2,871)</u>	<u>\$ -</u>	<u>\$ 9,403</u>

## 7. COMPENSATED ABSENCES

Employees of the Organization are paid through the Regents' 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, 2011 and 2010, the amount to liquidate accrued vacation and sick leave amounts is approximately \$122,892 and \$78,615, 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.

Lease expense charged to operations for base rent and pass-through charges in 2011 and 2010 was \$65,460 and \$64,235, respectively.

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

<u>Year</u>	<u>Amount</u>
2012	\$ 34,260
2013	34,260
2014	36,985
2015	40,800
2016	40,800
Thereafter	105,400
Total	<u>\$ 292,505</u>

## 9. RETIREMENT PLANS

Employees of the Organization participate in retirement plans through the universities:

#### Teachers Insurance and Annuity Association

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 Regents' 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 years 2011 and 2010, each employee through the fifth year of employment contributed 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, contributed 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800. Upon completion of five years of service, the participant contributed 5% and the University contributed 10% on all earnings. From November, 2009 through June, 2010, the University's contribution for employees with less than five years of employment was temporarily reduced to 5 1/3% of the first \$4,800 of budgeted salary and 8% above \$4,800. For employees with more than five years of employment, the University's contribution was temporarily reduced to 8%.

#### 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, 2011 and 2010, plan members are required to contribute 4.5% and 4.3%, respectively, of their annual covered salary and the University is required to contribute 6.95% and 6.65%, respectively, of annual covered payroll.

The Organization's share of employer contributions to TIAA-CREF and IPERS retirement plans is included in salaries, wages and benefits expense for the years ended June 30, 2011 and 2010.

#### Early Retirement Incentive Program

During the year ended June 30, 2009, the Organization had an employee elect to participate 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, 2011 and 2010, the present value of future benefits was \$19,628 and \$27,029, 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, 2011, the Organization charged expense of \$523 to operations under this program.

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.

Early retirement benefits payable activity for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 27,029	\$ 71,417
Accruals and adjustments	523	(36,757)
Payments	(7,924)	(7,631)
Balance, June 30	<u>\$ 19,628</u>	<u>\$ 27,029</u>

#### 10. ACCRUED BENEFITS

As of June 30, 2011, the present value of accrued benefits was \$12,613. The interest rate utilized to calculate the present value was 1.98%. All payments are financed on a pay-as-you-go-basis.

For the year ended June 30, 2011, the Organization charged expense of \$26,731 to operations under this program.

Accrued benefits payable activity for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ -	\$ -
Accruals and adjustments	12,613	-
Payments	-	-
Balance, June 30	<u>\$ 12,613</u>	<u>\$ -</u>

#### 11. 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.

#### 12. SUBSEQUENT EVENTS

In June, 2011, Iowa State University on behalf of WOI Radio Group, entered into a letter of intent for the purchase of certain assets used or to be used in the transmission of radio stations KZHZ-FM in Patterson, IA and KZHC-FM in Pleasantville, IA. In August, 2011, the Board of Regents approved the University's intent to enter into an asset purchase agreement with Connoisseur Media, LLC for the purchase of these stations. On November 1, 2011, the purchase was completed with a purchase price of \$1,750,000. Funding for the

purchase price shall be obtained through funding, contributions and financing as follows:

	<u>Amount</u>
Source of funding:	
IJOBS funding awarded to Iowa Public Radio	\$ 500,000
Contribution from WSUI Radio Group	164,000
Contribution from KUNI Radio Group	75,000
WOI Radio Group investment	434,000
Internal financing from Iowa State University	<u>577,000</u>
	<u>\$ 1,750,000</u>

Iowa Public Radio has committed to funding the debt service payments of the financing portion of the purchase price. These payments will be considered contributions to WOI Radio Group. The purchase of these stations is the responsibility of Iowa State University as licensee.

As of the date of this report, the Organization does not have any outstanding construction commitments.

The Organization has evaluated events and transactions for possible adjustment or disclosure through May 31, 2012 which is 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, 2011

	Program Services			Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	
Contribution expense	\$ -	\$ -	\$ -	\$ -	\$ 423,976	\$ -	\$ 423,976
Salaries, wages and benefits	614,627	423,055	67,536	1,105,218	659,838	302,661	2,067,717
Services	59,685	23,196	289,109	371,990	131,502	159,811	663,303
Facilities	-	231	-	231	67,099	-	67,099
Supplies	564	11,550	7,713	19,827	12,464	54,740	87,031
Printing	-	-	3,297	3,297	-	119,360	122,657
Prof development	2,824	5,493	1,496	9,813	15,165	7,401	32,379
Travel	14,173	6,779	1,279	22,231	11,375	9,166	42,772
Telecommunications	399	-	-	399	13,692	-	14,091
Recruitment	622	-	-	622	22,062	-	22,684
Postage	-	-	30	30	2,200	72,669	74,899
Programming fees	21,398	-	-	21,398	-	-	21,398
Depreciation	-	-	-	-	-	-	-
Repairs & maintenance	-	150	-	150	-	-	150
						8,201	8,201
<b>Total expenses</b>	<b>\$ 714,292</b>	<b>\$ 470,454</b>	<b>\$ 370,460</b>	<b>\$ 1,555,206</b>	<b>\$ 1,359,373</b>	<b>\$ 725,808</b>	<b>\$ 3,648,588</b>

See Independent Auditor's Report.

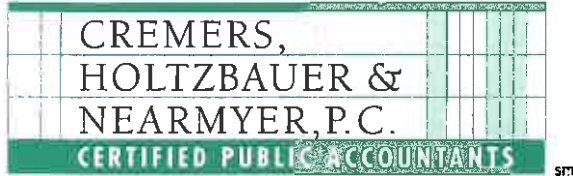
IOWA PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	Program Services			Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	
Contribution expense - stations	\$ -	\$ -	\$ -	\$ -	\$ 1,208,807	\$ -	\$ 1,208,807
Salaries, wages and benefits	209,220	149,583	38,970	397,773	438,922	293,272	1,129,967
Services	37,025	5,646	209,572	252,243	99,732	37,703	389,678
Facilities	-	5,091	-	5,091	64,791	-	69,882
Supplies	8,887	2,900	6,565	18,352	13,527	34,561	66,440
Printing	-	-	3,091	3,091	980	60,828	64,899
Prof development	993	333	35	1,361	23,126	2,844	27,331
Travel	10,411	283	309	11,003	9,704	5,098	25,805
Telecommunications	-	-	-	-	22,743	-	22,743
Recruitment	-	-	-	-	14,555	-	14,555
Postage	-	-	35	35	2,296	8,879	11,210
Programming fees	4,200	-	-	4,200	-	-	4,200
Depreciation	-	-	-	-	-	-	-
Repairs & maintenance	-	775	-	775	1	-	2,871
<b>Total expenses</b>	<b>\$ 270,736</b>	<b>\$ 164,611</b>	<b>\$ 258,577</b>	<b>\$ 693,924</b>	<b>\$ 1,899,184</b>	<b>\$ 443,185</b>	<b>\$ 3,039,164</b>

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, 2011, and have issued our report thereon dated May 31, 2012. 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.

Dale E. Cremers, CPA  
Robert W. Holtzbauer, CPA  
Roger D. Nearmyer, CPA

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.

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Suite 600W  
Urbandale, IA 50322-2871

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses. The auditee's response to our findings is included for each identified finding.

Members:  
PCPS Section of the  
American Institute of  
Certified Public Accountants  
Iowa Society of Certified  
Public Accountants  
Forensic Accountants  
Society of North America

See Independent Auditor's Report.

## Material Weaknesses

### 11-1 Financial Statements

For the June 30, 2011 year, management prepared the Organization's financial statements. Significant assistance was provided by the auditor in preparation of the financial statements. This assistance was necessary as management required auditor expertise to aid in the prevention, detection and correction of any potential misstatements. Under these conditions, the most effective controls lie in oversight by the Board of Directors in regards to financial reporting.

#### Auditee Response

The Organization acknowledges that at June 30, 2011 they did not possess all resources and accounting skills to prepare a complete financial statement and the required disclosures. Management did draft the financial statements for the year ended June 30, 2011 with significant assistance from the auditor. For future periods, management intends to prepare the financial statements and required disclosures.

### 11-2 Accounting

The Organization has a "Public Service Operating Agreement" with the Stations. As part of the agreement, IPR is responsible to provide monthly financial statements. IPR maintains the monthly information provided by the Station. However, certain transactions that occurred during the year were not recorded properly.

We recommend that IPR work with the Stations' management to develop a system to properly summarize the Stations' information provided by the Universities to be reported to IPR and provide necessary training to ensure proper monthly reconciliations of such information.

#### Auditee Response

Iowa Public Radio, Inc. (IPR) has a plan in place to correct these procedures and the plan included the employment of a chief financial officer, establishing controls, processes, procedures and protocols that are consistent across the station groups and in compliance with the Public Service Operating Agreement. In addition, IPR will be conducting training and development for the site administrators.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies. The auditee's response to our findings is included for each identified finding.

## Significant Deficiencies

### 11-3 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 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.

### 11-4 Cash Reconciliation Analysis

During June 30, 2011, no one in the membership or accounting department was reconciling the monthly cash reports received by the ISU Foundation to the daily deposit slips submitted to the ISU Foundation, to ensure that all deposits were being correctly posted to the ISU Foundation accounts and that the ISU Foundation reports were complete, based on the actual deposits made. During the year, the Organization used the monthly ISU Foundation reports to record membership income.

#### Auditee Response

The Organization is aware of this control deficiency and will consider implementing additional controls in the June 30, 2012 year. The Organization is in the process of hiring an additional employee for the membership accounting functions.

## 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 are 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, Holtzbaue & Nearmyer, P.C.*

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

May 31, 2012