IOWA PUBLIC RADIO, INC.

Audited Financial Statements
for the Years Ended
June 30, 2012 and 2011 and
Independent Auditor’s Report
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June 30, 2012

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IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2012, 2011 and 2010

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, 2012, 2011 and 2010. 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. IPR's mission will be accomplished by continued focus on its goals strengthen the impact, reach and performance of the organization in order to better serve Iowans; grow and engage audiences using the most effective forms of content delivery and become financially independent from university funding by increasing private support.

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.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2012, 2011 and 2010

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$596,118</td>
<td>$843,858</td>
<td>$746,419</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1,006,825</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>63,403</td>
<td>76,710</td>
<td>9,403</td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,666,346</td>
<td>$920,568</td>
<td>$755,822</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$525,197</td>
<td>$499,791</td>
<td>$592,454</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>421,628</td>
<td>19,309</td>
<td>19,627</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$946,825</td>
<td>$519,100</td>
<td>$612,081</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>63,403</td>
<td>$76,710</td>
<td>$9,403</td>
</tr>
<tr>
<td>Restricted</td>
<td>1,011,825</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(355,707)</td>
<td>324,758</td>
<td>134,338</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$719,521</td>
<td>$401,458</td>
<td>$143,741</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$1,666,346</td>
<td>$920,568</td>
<td>$755,822</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$318,053</td>
<td>$257,727</td>
<td>$131,467</td>
</tr>
</tbody>
</table>

Total assets at June 30, 2012 increased 81.0% to $1,666,346 compared to total assets of $920,568 at the end of the prior fiscal year. Current assets at June 30, 2012 decreased 29.4% to $596,118 compared to current assets of $843,858 at the end of the prior fiscal year. The decrease in current assets is primarily due to decreases in agency funds receivable, cash and cash equivalents and unconditional promises to give. Current assets at the end of fiscal year 2011 increased compared to current assets at the end of fiscal year 2010 due to increases in agency funds receivable and in unconditional promises to give.

Other non-current assets at June 30, 2012 increased significantly to $1,006,825 due to the establishment of the Friends of KHKE/KUNI Operating Endowment Fund in July, 2012 which includes $256,825 in cash and cash equivalents and $750,000 in operating endowment receivable.

Capital assets at June 30, 2012 decreased 17.3% to $63,403 compared to capital assets of $76,710 at the end of the prior fiscal year. This decrease is primarily due to the website that was developed in the prior fiscal year was depreciated for three months compared to a full year during the current fiscal year. Capital assets at the end of fiscal year 2011 increased significantly compared to capital assets at the end of fiscal year 2010 due to the addition of the website.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2012, 2011 and 2010

Total liabilities at June 30, 2012 increased 82.4% to $946,825 compared to total liabilities of $519,100 at the end of the prior fiscal year. Current liabilities at June 30, 2012 increased 5.1% to $525,197 compared to current liabilities of $499,791 at the end of the prior fiscal year. The increase in current liabilities is primarily due to an increase in notes payable, salaries and wages payable and advance payments on underwriting agreements offset by a decrease in amounts due to a related party. Current liabilities at the end of fiscal year 2011 decreased compared to current liabilities at the end of fiscal year 2010 due to a decrease in contributions payable to stations offset by increases in amounts due to a related party, salaries and wages payable and advance payments on underwriting agreements.

Long-term liabilities at June 30, 2012 increased significantly to $421,628 compared to long-term liabilities of $19,309 at the end of the prior fiscal year. This increase is primarily due to the increase in notes payable.

Long-term liabilities at the end of fiscal year 2011 decreased slightly compared to long-term liabilities at the end of fiscal year 2010.

Total net assets at June 30, 2012 increased 79.2% to $719,521 compared to total net assets of $401,468 at the end of the prior fiscal year. Capital assets, as referenced above, decreased slightly at June 30, 2012 compared to capital assets at the end of the prior fiscal year. Restricted assets increased significantly at June 30, 2012 due to the establishment of the operating endowment fund. Unrestricted assets decreased significantly at June 30, 2012 due to the decrease in total unrestricted revenues and increase in total expenses in the fiscal year compared to the prior fiscal year. Total net assets at the end of fiscal year 2011 increased compared to the total net assets at the end of fiscal year 2010.

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.

<table>
<thead>
<tr>
<th>For the years ended June 30,</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td>$3,398,961</td>
<td>$3,508,126</td>
<td>$2,808,918</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>4,472,158</td>
<td>3,648,588</td>
<td>3,039,164</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(1,073,197)</td>
<td>(140,462)</td>
<td>(230,246)</td>
</tr>
<tr>
<td>Non-operating revenues (expenses) -net</td>
<td>384,425</td>
<td>398,189</td>
<td>361,713</td>
</tr>
<tr>
<td>Income (loss) before other revenues, expenses, gains and losses</td>
<td>$(688,772)</td>
<td>257,727</td>
<td>131,467</td>
</tr>
<tr>
<td>Other revenues, expenses, gains and losses</td>
<td>1,006,825</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$318,053</td>
<td>$257,727</td>
<td>$131,467</td>
</tr>
</tbody>
</table>

Total operating revenues for the year ended June 30, 2012 decreased 3.1% to $3,398,961 compared to $3,508,126 for the year ended June 30, 2011. Major components of operating revenues are as follows:
IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2012, 2011 and 2010

- Contributions, net of allowances, decreased operating revenues by $234,433.
- Revenue from special events and projects decreased operating revenues by $99,749. This decrease was primarily due to the decrease in revenue received from the Insight Series of a series of presentations by public radio's most acclaimed voices and other sponsored events.
- Revenue from major gifts decreased operating revenues by $50,695.
- Underwriting revenue, net of allowances, increased operating revenues by $275,712 contributing to the increase in total operating revenues.

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. This increase was due to increased underwriting revenue and income from special events that did not occur in 2010.

Total operating expenses for the year ended June 30, 2012 increased 22.6% to $4,472,158 compared to $3,648,588 for the year ended June 30, 2011. Major components of operating expenses are as follows:

- Management and general related expenses increased operating expenses by $686,912 primarily due to an increase in contribution expense to the stations.
- Broadcasting and engineering related expenses increased operating expenses by $216,259 primarily due to additional salaries, wages and benefits.
- Programming and production related expenses increased operating expenses by $137,972 primarily due to additional salaries, wages and benefits.
- Depreciation expense increased operating expenses by $13,867.
- Fundraising and membership development related expenses decreased operating expenses by $13,096 primarily due to additional salaries, wages and benefits offset by a reduction in professional services.
- Program information and promotion related expenses decreased operating expenses by $218,344 primarily due to decreases in professional services related to events held by IPR.

Total operating expenses for the year ended June 30, 2011 increased 20.1% to $3,648,588 compared to $3,039,164 for the year ended June 30, 2010. 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, 2012 decreased 3.5% to $384,425 compared to $398,189 for the year ended June 30, 2011. This decrease was primarily due to the decrease in the state appropriation and increase in ISDN studio rental revenue offset by a decrease in non-capitalized equipment expenditures and an increase in interest expense.

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.

Total other revenues, expenses, gains and losses for the year ended June 30, 2012 increased significantly to $1,006,825 compared to $0 for the year ended June 30, 2011. This increase is due to the establishment of an operating endowment fund in July, 2012.
IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2012, 2011 and 2010

The Statements of Cash Flows

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from operating activities</td>
<td>$ (986,853)</td>
<td>$ (374,779)</td>
<td>$ (262,254)</td>
</tr>
<tr>
<td>Cash from non-capital financing activities</td>
<td>1,169,124</td>
<td>409,206</td>
<td>406,318</td>
</tr>
<tr>
<td>Cash from capital financing activities</td>
<td>(10,621)</td>
<td>(86,559)</td>
<td>(44,589)</td>
</tr>
<tr>
<td>Cash from investing activities</td>
<td>1,810</td>
<td>2,155</td>
<td>1,715</td>
</tr>
<tr>
<td>Net change in cash</td>
<td>173,460</td>
<td>(49,977)</td>
<td>101,190</td>
</tr>
<tr>
<td>Cash beginning of year</td>
<td>274,526</td>
<td>324,503</td>
<td>223,313</td>
</tr>
<tr>
<td>Cash end of year</td>
<td>$ 447,986</td>
<td>$ 274,526</td>
<td>$ 324,503</td>
</tr>
</tbody>
</table>

Cash from operating activities decreased to ($986,853) for the year ended June 30, 2012 compared to ($374,779) for the year ended June 30, 2011 primarily due to increases in payments to employees for salaries, wages and benefits and to state universities for memberships and fundraising offset by decreases in payments to suppliers for goods and services and additional cash received for underwriting agreements.

Cash from non-capital financing activities increased to $1,169,124 for the year ended June 30, 2012 compared to $409,206 for the year ended June 30, 2011 due to cash proceeds from debt received and the establishment of an operating endowment offset by cash payments on debt.

Cash from capital financing activities increased to ($10,621) for the year ended June 30, 2012 compared to ($86,559) for the year ended June 30, 2011 due to decreases in capitalized and non-capitalized equipment purchases during 2012.

Cash from investing activities decreased to $1,810 for the year ended June 30, 2012 compared to $2,155 for the year ended June 30, 2011 due to a decrease in the proceeds from the sale of donated securities.

The net increase in cash and cash equivalents was $173,460 for the year ended June 30, 2012 compared to a net decrease of $49,977 for the year ended June 30, 2011.

Capital Assets

At June 30, 2012, IPR had $97,623 in capital assets, with accumulated depreciation of $34,220, for net capital assets of $63,403. At June 30, 2011, IPR had $88,362 in capital assets, with accumulated depreciation of $12,152, for net capital assets of $76,710. Depreciation charges for the year ended June 30, 2012 totaled $22,068 compared to $8,201 for the year ended June 30, 2011. 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, 2012, 2011 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>$ 6,516</td>
<td>$ 7,344</td>
<td>$ 2,790</td>
</tr>
<tr>
<td>Equipment</td>
<td>22,443</td>
<td>22,397</td>
<td>6,613</td>
</tr>
<tr>
<td>Website</td>
<td>34,444</td>
<td>46,969</td>
<td></td>
</tr>
<tr>
<td><strong>Total capital assets - net</strong></td>
<td><strong>$ 63,403</strong></td>
<td><strong>$ 76,710</strong></td>
<td><strong>$ 9,403</strong></td>
</tr>
</tbody>
</table>

Station Acquisition

In November, 2011, Iowa State University on behalf of WOI Radio Group, completed the station acquisition of radio stations KICP-FM (formerly KZH-FM) in Patterson, IA and KICL-FM (formerly KZHC-FM) in Pleasantville, IA. The purchase price of $1,750,000 was obtained through funding, contributions and financing as follows:

<table>
<thead>
<tr>
<th>Source of funding</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IJOBS funding awarded to Iowa Public Radio</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Contribution from WSUI Radio Group</td>
<td>$ 164,000</td>
</tr>
<tr>
<td>Contribution from KUNI Radio Group</td>
<td>$ 75,000</td>
</tr>
<tr>
<td>WOI Radio Group investment</td>
<td>$ 434,000</td>
</tr>
<tr>
<td>Internal financing from Iowa State University</td>
<td>$ 577,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,750,000</strong></td>
</tr>
</tbody>
</table>

Iowa State University is the licensee for the stations. Iowa Public Radio is funding the debt service payments of the financing portion of the purchase price. These payments are 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
IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2012, 2011 and 2010

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, IA 50312.
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, 2012 and 2011 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 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 previously present fairly, in all material respects, the financial position of the Organization as of June 30, 2012 and 2011, 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 our report dated February 13, 2013 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.
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedules of functional expenses on pages 26 - 27 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated in all material respects in relation to the financial statements as a whole.

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

February 13, 2013
IOWA PUBLIC RADIO, INC.

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

<table>
<thead>
<tr>
<th>Assets</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 191,161</td>
<td>$ 274,526</td>
</tr>
<tr>
<td>Unconditional promises to give, less allowance for doubtful accounts; $31,838 in 2012 and $29,380 in 2011</td>
<td>216,844</td>
<td>274,468</td>
</tr>
<tr>
<td>Underwriting receivable, less allowance for doubtful accounts; $15,720 in 2012 and $23,109 in 2011</td>
<td>103,728</td>
<td>110,726</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>16,027</td>
<td>15,601</td>
</tr>
<tr>
<td>Due from related party</td>
<td>46,614</td>
<td>36,484</td>
</tr>
<tr>
<td>Agency funds receivable</td>
<td>-</td>
<td>110,756</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>21,744</td>
<td>21,297</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>596,118</td>
<td>843,858</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>256,825</td>
<td>-</td>
</tr>
<tr>
<td>Operating endowment receivable</td>
<td>750,000</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>63,403</td>
<td>76,710</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,070,228</td>
<td>76,710</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 1,666,346</td>
<td>$ 920,568</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 40,657</td>
<td>$ 34,266</td>
</tr>
<tr>
<td>Due to related party</td>
<td>2,717</td>
<td>154,523</td>
</tr>
<tr>
<td>Advance payments on underwriting agreements</td>
<td>176,280</td>
<td>136,029</td>
</tr>
<tr>
<td>Contributions payable to stations</td>
<td>-</td>
<td>39,149</td>
</tr>
<tr>
<td>Salaries and wages payable</td>
<td>186,463</td>
<td>122,892</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>1,843</td>
<td>-</td>
</tr>
<tr>
<td>Current portion - early retirement benefits payable</td>
<td>8,754</td>
<td>7,043</td>
</tr>
<tr>
<td>Current portion - accrued benefits payable</td>
<td>-</td>
<td>5,889</td>
</tr>
<tr>
<td>Current portion - notes payable</td>
<td>108,483</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>525,197</td>
<td>499,791</td>
</tr>
<tr>
<td>Early retirement benefits payable - net of current portion</td>
<td>8,674</td>
<td>12,585</td>
</tr>
<tr>
<td>Accrued benefits payable - net of current portion</td>
<td>-</td>
<td>6,724</td>
</tr>
<tr>
<td>Notes payable - net of current portion</td>
<td>412,954</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>421,628</td>
<td>19,309</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>946,825</td>
<td>519,100</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets - net of related debt</td>
<td>63,403</td>
<td>76,710</td>
</tr>
<tr>
<td>Restricted</td>
<td>1,011,825</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(355,707)</td>
<td>324,758</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>719,521</td>
<td>401,468</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$ 1,666,346</td>
<td>$ 920,568</td>
</tr>
</tbody>
</table>

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, 2012 and 2011

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions - net</td>
<td>$2,056,563</td>
<td>$2,290,996</td>
</tr>
<tr>
<td>Program underwriting - net</td>
<td>1,214,114</td>
<td>938,402</td>
</tr>
<tr>
<td>Major gifts</td>
<td>40,923</td>
<td>91,618</td>
</tr>
<tr>
<td>Special events and projects</td>
<td>87,361</td>
<td>187,110</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>3,398,961</strong></td>
<td><strong>3,508,126</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programming and production</td>
<td>852,264</td>
<td>714,292</td>
</tr>
<tr>
<td>Broadcasting and engineering</td>
<td>686,713</td>
<td>470,454</td>
</tr>
<tr>
<td>Program information and promotion</td>
<td>152,116</td>
<td>370,460</td>
</tr>
<tr>
<td>Support services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>2,046,285</td>
<td>1,359,373</td>
</tr>
<tr>
<td>Fundraising and membership development</td>
<td>712,712</td>
<td>725,808</td>
</tr>
<tr>
<td>Depreciation</td>
<td>22,068</td>
<td>8,201</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>4,472,158</strong></td>
<td><strong>3,648,588</strong></td>
</tr>
</tbody>
</table>

| Operating loss       | (1,073,197) | (140,462) |

<table>
<thead>
<tr>
<th>NON-OPERATING REVENUES (EXPENSES)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State appropriations</td>
<td>391,568</td>
<td>406,318</td>
</tr>
<tr>
<td>Investment return</td>
<td>(16)</td>
<td>34</td>
</tr>
<tr>
<td>Rental revenue</td>
<td>6,584</td>
<td>2,887</td>
</tr>
<tr>
<td>Non-capitalized equipment and improvements</td>
<td>(1,861)</td>
<td>(11,050)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(11,850)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-operating revenues (expenses) - net</strong></td>
<td><strong>384,425</strong></td>
<td><strong>398,189</strong></td>
</tr>
</tbody>
</table>

| Income (loss) before other revenues, expenses, gains and losses | (688,772) | 257,727 |

| Contributions to permanent operating endowment | 1,006,825 | -       |
| **Total other revenues, expenses, gains and losses** | **1,006,825** | -       |

| Change in net assets | 318,053 | 257,727 |

| Net assets, beginning of year | 401,468 | 143,741 |
| Net assets, end of year       | $ 719,521 | $ 401,468 |

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, 2012 and 2011

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from memberships and fundraising campaigns</td>
<td>$ 2,136,294</td>
<td>$ 2,310,107</td>
</tr>
<tr>
<td>Cash received from program underwriting</td>
<td>1,261,361</td>
<td>979,832</td>
</tr>
<tr>
<td>Cash received from special events and projects</td>
<td>86,934</td>
<td>171,510</td>
</tr>
<tr>
<td>Cash received from operating grants</td>
<td>-</td>
<td>37,500</td>
</tr>
<tr>
<td>Cash payments to employees for salaries, wages and benefits</td>
<td>(2,415,593)</td>
<td>(1,968,283)</td>
</tr>
<tr>
<td>Cash payments to suppliers for goods and services</td>
<td>(862,932)</td>
<td>(1,172,998)</td>
</tr>
<tr>
<td>Cash payments to state universities for memberships and fundraising campaigns</td>
<td>(1,192,917)</td>
<td>(732,447)</td>
</tr>
<tr>
<td>Net cash flows used by operating activities</td>
<td>(986,853)</td>
<td>(374,779)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received for permanent operating endowment</td>
<td>256,825</td>
<td>-</td>
</tr>
<tr>
<td>Cash received from state appropriations</td>
<td>391,568</td>
<td>406,318</td>
</tr>
<tr>
<td>Cash received from rental income</td>
<td>6,583</td>
<td>2,888</td>
</tr>
<tr>
<td>Cash held for other recipients</td>
<td>2,717</td>
<td>-</td>
</tr>
<tr>
<td>Cash proceeds from debt</td>
<td>816,000</td>
<td>-</td>
</tr>
<tr>
<td>Cash payments on debt</td>
<td>(294,562)</td>
<td>-</td>
</tr>
<tr>
<td>Cash payments for interest on debt</td>
<td>(10,007)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flows provided by non-capital financing activities</td>
<td>1,169,124</td>
<td>409,206</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of equipment - non-capitalized</td>
<td>(1,861)</td>
<td>(11,050)</td>
</tr>
<tr>
<td>Purchase of equipment - capitalized</td>
<td>(8,760)</td>
<td>(75,509)</td>
</tr>
<tr>
<td>Net cash flows used by capital financing activities</td>
<td>(10,621)</td>
<td>(86,559)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of donated securities</td>
<td>1,810</td>
<td>2,124</td>
</tr>
<tr>
<td>Cash received from investment income</td>
<td>-</td>
<td>31</td>
</tr>
<tr>
<td>Net cash flows provided by investing activities</td>
<td>1,810</td>
<td>2,155</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net increase (decrease) in cash and cash equivalents</th>
<th>173,460</th>
<th>(49,977)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - beginning of year</td>
<td>$274,526</td>
<td>$324,503</td>
</tr>
<tr>
<td>Cash and cash equivalents - end of year</td>
<td>$ 447,986</td>
<td>$ 274,526</td>
</tr>
</tbody>
</table>

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, 2012 and 2011

<table>
<thead>
<tr>
<th>Operating loss</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions not requiring cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>22,068</td>
<td>8,201</td>
</tr>
<tr>
<td>Donated securities</td>
<td>(1,827)</td>
<td>(2,121)</td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(425)</td>
<td>(15,601)</td>
</tr>
<tr>
<td>Due from related party</td>
<td>(10,130)</td>
<td>(36,484)</td>
</tr>
<tr>
<td>Agency funds receivable</td>
<td>110,756</td>
<td>(96,356)</td>
</tr>
<tr>
<td>Pledges and underwriting receivable</td>
<td>64,622</td>
<td>(66,328)</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>-</td>
<td>37,500</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(447)</td>
<td>29,853</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>6,391</td>
<td>13,277</td>
</tr>
<tr>
<td>Contributions payable to stations</td>
<td>(39,149)</td>
<td>(308,471)</td>
</tr>
<tr>
<td>Due to related party</td>
<td>(154,523)</td>
<td>115,351</td>
</tr>
<tr>
<td>Advance payments on underwriting agreements</td>
<td>40,251</td>
<td>37,373</td>
</tr>
<tr>
<td>Salaries and wages payable</td>
<td>63,571</td>
<td>44,278</td>
</tr>
<tr>
<td>Early retirement benefits payable</td>
<td>(2,200)</td>
<td>(7,402)</td>
</tr>
<tr>
<td>Accrued benefits payable</td>
<td>(12,613)</td>
<td>12,613</td>
</tr>
<tr>
<td>Net cash flows used by operating activities</td>
<td>$ (986,853)</td>
<td>$ (374,779)</td>
</tr>
</tbody>
</table>

Concluded.

DISCLOSURE OF NON-CASH FINANCING AND INVESTING TRANSACTIONS:

Iowa Public Radio, Inc. received donated securities in the amount of $1,827 and $2,121 for the years ended June 30, 2012 and 2011, respectively.

The accompanying notes are an integral part of these financial statements.
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 534 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.

Restricted net assets are available for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Restricted, expendable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programming</td>
<td>$ 5,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total restricted, expendable</strong></td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Restricted, non-expendable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating endowment</td>
<td>1,006,825</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total restricted, non-expendable</strong></td>
<td>1,006,825</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total restricted net assets</strong></td>
<td>$ 1,011,825</td>
<td>$ -</td>
</tr>
</tbody>
</table>

**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 the years ended June 30, 2012 and 2011 totaled $9,543 and $5,070, 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 the years ended June 30, 2012 and 2011 totaled $12,525 and $3,131, respectively.

Leasehold improvements and equipment purchases not meeting the Organization’s capitalization policy charged to operations for the years ended June 30, 2012 and 2011 totaled $1,861 and $11,050, 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 $31,838 and $29,380 as of June 30, 2012 and 2011, 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 $15,720 and $23,109 as of June 30, 2012 and 2011, 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.

Non-Current Liabilities

Non-current liabilities include principal amounts of notes payable with contractual maturities greater than one year, as well as estimated amounts for early retirement benefits payable that will not be paid within the next fiscal year.
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, 2009 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, 2012 and 2011 totaled $7,323 and $42,008, 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 0.92%.

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

Reclassification

Certain 2011 amounts have been reclassified to conform with the 2012 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, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>Contribution expense</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Northern Iowa (Licensee: KUNI)</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Iowa State University (Licensee: WOI)</td>
<td>1,153,769</td>
<td>423,976</td>
</tr>
<tr>
<td>University of Iowa (Licensee: KSUI)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total contribution expense</strong></td>
<td>$1,153,769</td>
<td>$423,976</td>
</tr>
</tbody>
</table>

Iowa State University, on behalf of WOI as the licensee, and for the benefit of the public radio operations at the three Regents' universities, completed the acquisition of radio station KICP-FM in Patterson, IA and KICL-FM in Pleasantville, IA in November, 2011. The contribution expense to Iowa State University includes $582,476 related to the station acquisition.

Contributions payable as of June 30, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>Contributions payable</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Northern Iowa (Licensee: KUNI)</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Iowa State University (Licensee: WOI)</td>
<td>-</td>
<td>39,149</td>
</tr>
<tr>
<td>University of Iowa (Licensee: KSUI)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total contributions payable</strong></td>
<td>$ -</td>
<td>$39,149</td>
</tr>
</tbody>
</table>

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, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>Salaries, wages and benefits</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Northern Iowa (Licensee: KUNI)</td>
<td>$92,185</td>
<td>$82,393</td>
</tr>
<tr>
<td>Iowa State University (Licensee: WOI)</td>
<td>2,334,835</td>
<td>1,945,380</td>
</tr>
<tr>
<td>University of Iowa (Licensee: KSUI)</td>
<td>(11,621)</td>
<td>39,344</td>
</tr>
<tr>
<td><strong>Total salaries, wages and benefits</strong></td>
<td>$2,415,399</td>
<td>$2,067,717</td>
</tr>
</tbody>
</table>

Accrued compensated absences including vacation and sick leave payable to each university as of June 30, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th>Compensated absences</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Northern Iowa (Licensee: KUNI)</td>
<td>$11,502</td>
<td>$11,188</td>
</tr>
<tr>
<td>Iowa State University (Licensee: WOI)</td>
<td>161,401</td>
<td>111,704</td>
</tr>
<tr>
<td><strong>Total compensated absences</strong></td>
<td>$172,903</td>
<td>$122,892</td>
</tr>
</tbody>
</table>
The amount payable to the University of Northern Iowa for other expenses was $0 and $23,214 as of June 30, 2012 and 2011, respectively. The amount receivable from the University of Northern Iowa for programming fees and membership dues was $7,402 and $0 as of June 30, 2012 and 2011, respectively.

The amount payable to Iowa State University for other expenses was $0 and $13,436 as of June 30, 2012 and 2011, respectively. The amount receivable from Iowa State University for other expenses was $32,802 and $36,484 as of June 30, 2012 and 2011, respectively.

During 2012, the Organization received an unconditional promise to give to the IPR Endowment Fund from Friends of KHKE/KUNI in the amount of $1,000,000. As of June 30, 2012, $750,000 of the operating endowment gift was receivable from the Friends.

The amount payable to the University of Iowa for other expenses was $0 and $26,731 as of June 30, 2012 and 2011, respectively. The amount receivable from the University of Iowa for programming fees and membership dues was $6,410 and $0 as of June 30, 2012 and 2011, 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 restricted and 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, 2012 and 2011.

Investment return for the years ended June 30, 2012 and 2011 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain (loss) on sale of investments</td>
<td>$ (16)</td>
<td>$ 3</td>
</tr>
<tr>
<td>Interest income</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>Dividend income</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total investment return</strong></td>
<td>$ (16)</td>
<td>$ 34</td>
</tr>
</tbody>
</table>

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the Organization to appropriate an amount of realized and unrealized appreciation as the Organization determines to be prudent. The Organization is in the process of developing and formally adopting a spending policy for permanent endowment funds. Net appreciation of endowment funds totaled $0 at June 30, 2012.

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, 2012, 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. As of June 30, 2012 and 2011, the carrying amount of deposits with the University totaled $2,717 and $0, respectively. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund.

As of June 30, 2012 and 2011, the carrying amount of deposits with the Foundation totaled $445,269 and $274,526, respectively. 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, 2012 and 2011 were pledges made to the Organization and consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable in less than one year</td>
<td>$248,682</td>
<td>$303,848</td>
</tr>
<tr>
<td>Less allowance for uncollectible promises to give</td>
<td>(31,838)</td>
<td>(29,380)</td>
</tr>
<tr>
<td>Net unconditional promises to give</td>
<td>$216,844</td>
<td>$274,468</td>
</tr>
</tbody>
</table>

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, 2012 and 2011, agency funds receivable was $0 and $110,756, respectively. The amount payable for approved project expenditures by entity for the years ended June 30, 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa State University (Licensee: WOI)</td>
<td>$1,070</td>
<td>$53,672</td>
</tr>
<tr>
<td>University of Northern Iowa (Licensee: KUNI)</td>
<td>1,647</td>
<td>37,470</td>
</tr>
<tr>
<td>Other vendors</td>
<td></td>
<td>19,614</td>
</tr>
<tr>
<td>Total amount payable</td>
<td>$2,717</td>
<td>$110,756</td>
</tr>
</tbody>
</table>

I-JOBS spending by entity for the years ended June 30, 2012 and 2011 is as follows:
I-JOBS spending

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa State University (Licensee: WOI)</td>
<td>$921,053</td>
<td>$579,575</td>
</tr>
<tr>
<td>University of Northern Iowa (Licensee: KUNI)</td>
<td>56,074</td>
<td>120,614</td>
</tr>
<tr>
<td>Total I-JOBS spending</td>
<td>$977,127</td>
<td>$700,189</td>
</tr>
</tbody>
</table>

6. OPERATING ENDOWMENT RECEIVABLE

A summary of the operating endowment receivable at June 30, 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th>Operating endowment receivable</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating endowment receivable</td>
<td>$750,000</td>
<td>-</td>
</tr>
<tr>
<td>Allowance for uncollectible endowment receivable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Discount to present value</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net operating endowment receivable</td>
<td>$750,000</td>
<td>$-</td>
</tr>
</tbody>
</table>

The Organization estimates payments on the operating endowment receivable as of June 30, 2012, will be received as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$500,000</td>
</tr>
<tr>
<td>2014</td>
<td>250,000</td>
</tr>
<tr>
<td></td>
<td>$750,000</td>
</tr>
</tbody>
</table>

Based on the amount of the endowment and the payment schedule, the Organization did not discount the receivable.

7. CAPITAL ASSETS

A summary of capital assets at June 30, 2012 is as follows:
<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td></td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Furniture &amp; fixtures</td>
<td>$ 8,281</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 8,281</td>
</tr>
<tr>
<td>Equipment</td>
<td>30,481</td>
<td>8,761</td>
<td></td>
<td>39,242</td>
</tr>
<tr>
<td>Website</td>
<td>50,100</td>
<td></td>
<td></td>
<td>50,100</td>
</tr>
<tr>
<td>Total</td>
<td>88,862</td>
<td>8,761</td>
<td></td>
<td>97,623</td>
</tr>
</tbody>
</table>

Less accumulated depreciation:
- Furniture & fixtures: (937) - (828) = (1,765)
- Equipment: (8,084) - (8,715) = (16,799)
- Website: (3,131) - (12,525) = (15,656)
- Total: (12,152) - (22,068) = (34,220)

Capital assets, net:
- $ 76,710 - (13,307) $ = $ 63,403

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

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Furniture &amp; fixtures</td>
<td>$ 3,114</td>
<td>$ 5,167</td>
<td>$ -</td>
<td>$ 8,281</td>
</tr>
<tr>
<td>Equipment</td>
<td>10,240</td>
<td>20,241</td>
<td></td>
<td>30,481</td>
</tr>
<tr>
<td>Website</td>
<td>-</td>
<td>50,100</td>
<td></td>
<td>50,100</td>
</tr>
<tr>
<td>Total</td>
<td>13,354</td>
<td>75,508</td>
<td></td>
<td>88,862</td>
</tr>
</tbody>
</table>

Less accumulated depreciation:
- Furniture & fixtures: (324) - (613) = (937)
- Equipment: (3,627) - (4,457) = (8,084)
- Website: (3,131) - (12,525) = (15,656)
- Total: (3,951) - (8,201) = (12,152)

Capital assets, net:
- $ 9,403 - (67,307) $ = $ 76,710

8. **LEASE COMMITMENTS**

The Organization has two leases for studio and administrative space in Des Moines. The leases have been classified as operating leases and, accordingly, rent is charged to expense as incurred. The first lease expires on January 31, 2019 and requires a minimum monthly base rent of $2,855 through January 31, 2014 and $3,400 through January 31, 2019. The lease agreement requires the payment of monthly pass-through charges for the Organization’s share of utilities, services and taxes. The second lease expires December 31, 2015 and requires a minimum monthly base rent of $1,870 through December 31, 2011, $1,901 through December 31, 2012, $1,931 through December 31, 2013, $1,962 through December 31, 2014 and $1,992 through December 31, 2015.

Lease expense charged to operations for base rent and pass-through charges for the years ended June 30, 2012 and 2011 totaled $85,565 and $65,460, respectively.

Future minimum lease payments under all non-cancellable operating leases for the next five years and in aggregate are as follows:
Year Ending June 30. | Amount
---|---
2013 | $57,253
2014 | 60,344
2015 | 64,524
2016 | 52,754
2017 | 40,800
Thereafter | 64,600
**$ 340,275**

9. 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, 2012 and 2011, the amount to liquidate accrued vacation and sick leave amounts is approximately $172,903 and $122,892, respectively.

10. 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 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 years 2012 and 2011, 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.

**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, 2012 and 2011, plan members were required to contribute 5.38% and 4.5%, respectively, of their annual covered salary and the University was required to contribute 8.07% and 6.95%, 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, 2012 and 2011.
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, 2012 and 2011, the present value of future benefits was $17,428 and $19,628, respectively. The interest rate utilized to calculate the present value was 0.92% and 5.0% at June 30, 2012 and 2011, respectively. All incentive payments are financed on a pay-as-you-go basis.

Retiree benefits expense charged to operations for the years ended June 30, 2012 and 2011 totaled $6,605 and $523, respectively.

Early retirement benefits payable activity for the years ended June 30, 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th>Early retirement benefits payable</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$19,628</td>
<td>$27,029</td>
</tr>
<tr>
<td>Accruals and adjustments</td>
<td>6,605</td>
<td>523</td>
</tr>
<tr>
<td>Payments</td>
<td>(8,805)</td>
<td>(7,924)</td>
</tr>
<tr>
<td><strong>Balance, June 30</strong></td>
<td><strong>$17,428</strong></td>
<td><strong>$19,628</strong></td>
</tr>
</tbody>
</table>

11. ACCRUED BENEFITS

As of June 30, 2012 and 2011, the present value of accrued benefits was $0 and $12,613.

Benefits expense charged to operations for the years ended June 30, 2012 and 2011 totaled ($12,613) and $26,731, respectively.

Accrued benefits payable activity for the years ended June 30, 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th>Benefits payable</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$12,613</td>
<td>$ -</td>
</tr>
<tr>
<td>Accruals and adjustments</td>
<td>(12,613)</td>
<td>12,613</td>
</tr>
<tr>
<td>Payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance, June 30</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$12,613</strong></td>
</tr>
</tbody>
</table>

12. NOTES PAYABLE
The Organization has the following notes payable outstanding at June 30, 2012:

<table>
<thead>
<tr>
<th>Debt</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa State University, Note due 12/30/2016, interest rate of 3.0%</td>
<td>$</td>
<td>$ 577,000</td>
<td>$ 55,563</td>
<td>$ 521,437</td>
</tr>
<tr>
<td>Iowa State University, Note due 11/30/2011, interest rate of 3.0%</td>
<td>-</td>
<td>239,000</td>
<td>239,000</td>
<td>-</td>
</tr>
</tbody>
</table>

Total $816,000 $294,563 $521,437

Debt service requirements to maturity are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$108,483</td>
<td>$16,700</td>
<td>$125,183</td>
</tr>
<tr>
<td>2014</td>
<td>$113,633</td>
<td>$11,550</td>
<td>$125,183</td>
</tr>
<tr>
<td>2015</td>
<td>$117,067</td>
<td>$8,116</td>
<td>$125,183</td>
</tr>
<tr>
<td>2016</td>
<td>$120,595</td>
<td>$4,588</td>
<td>$125,183</td>
</tr>
<tr>
<td>2017</td>
<td>$61,659</td>
<td>$932</td>
<td>$62,591</td>
</tr>
</tbody>
</table>

$521,437 $41,886 $563,323

13. 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.

14. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for possible adjustment or disclosure through February 13, 2013 which is the date the financial statements were available to be issued.

As of the date of this report, the Organization does not have any outstanding construction commitments.
Supplemental Information
<table>
<thead>
<tr>
<th>Contribution expense - stations</th>
<th>Program Services</th>
<th>Support Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Broadcasting and Engineering</td>
<td>Program Information &amp; Promotion</td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>$ 717,426</td>
<td>$ 612,762</td>
<td>$ 64,144</td>
</tr>
<tr>
<td>Services</td>
<td>63,169</td>
<td>22,489</td>
<td>82,594</td>
</tr>
<tr>
<td>Facilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supplies</td>
<td>6,041</td>
<td>21,928</td>
<td>-</td>
</tr>
<tr>
<td>Printing</td>
<td>-</td>
<td>-</td>
<td>3,311</td>
</tr>
<tr>
<td>Prof development</td>
<td>478</td>
<td>3,417</td>
<td>-</td>
</tr>
<tr>
<td>Travel</td>
<td>23,097</td>
<td>4,249</td>
<td>2,067</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>993</td>
<td>18,987</td>
<td>-</td>
</tr>
<tr>
<td>Recruitment</td>
<td>12,670</td>
<td>1,693</td>
<td>-</td>
</tr>
<tr>
<td>Postage</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Programming fees</td>
<td>28,386</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repairs &amp; maintenance</td>
<td>-</td>
<td>1,188</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$ 852,264</td>
<td>$ 686,713</td>
<td>$ 152,116</td>
</tr>
</tbody>
</table>

See Independent Auditor's Report.
**IOWA PUBLIC RADIO, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Support Services</th>
<th>Depreciation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Broadcasting</td>
<td>Program</td>
<td>Management and General</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and Engineering</td>
<td>Information &amp; Promotion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Program</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Facilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Supplies</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Printing</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Prof development</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Travel</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Telecommunications</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Recruitment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Postage</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Programming fees</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Depreciation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Repairs &amp; maintenance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total expenses</td>
<td></td>
</tr>
</tbody>
</table>

| Contribution expense - stations | $ 614,627 | $ 423,059 | $ 67,536 | $ 1,105,218 | $ 659,838 | $ 302,661 | $ 962,499 | $ 2,067,717 |
| Salaries, wages and benefits | $ 59,685 | $ 23,196 | $ 289,109 | $ 371,990 | $ 131,502 | $ 159,811 | $ 291,313 | $ 663,303 |
| Facilities | $ - | $ 231 | $ - | $ 231 | $ 67,099 | $ - | $ 67,099 | $ - |
| Supplies | $ 564 | $ 11,550 | $ 7,713 | $ 19,827 | $ 12,464 | $ 54,740 | $ 67,204 | $ 87,031 |
| Printing | $ - | $ - | $ 3,297 | $ 3,297 | $ - | $ 119,360 | $ 119,360 | $ 122,657 |
| Prof development | $ 2,824 | $ 5,493 | $ 1,496 | $ 9,813 | $ 15,165 | $ 7,401 | $ 22,566 | $ 32,379 |
| Travel | $ 14,173 | $ 6,779 | $ 1,279 | $ 22,231 | $ 11,375 | $ 9,166 | $ 20,541 | $ 42,772 |
| Telecommunications | $ 399 | $ - | $ - | $ 399 | $ 13,692 | $ - | $ 13,692 | $ 14,091 |
| Recruitment | $ 622 | $ - | $ - | $ 622 | $ 22,062 | $ - | $ 22,062 | $ 22,684 |
| Postage | $ - | $ - | $ 30 | $ 30 | $ 2,200 | $ 72,669 | $ 74,869 | $ 74,899 |
| Programming fees | $ 21,398 | $ - | $ - | $ 21,398 | $ - | $ - | $ - | $ 21,398 |
| Depreciation | $ - | $ - | $ - | $ - | $ - | $ 8,201 | $ 8,201 | $ - |
| Repairs & maintenance | $ - | $ 150 | $ - | $ 150 | $ - | $ - | $ - | $ 150 |
| Total expenses | $ 714,292 | $ 470,454 | $ 370,460 | $ 1,555,206 | $ 1,359,373 | $ 725,808 | $ 2,085,181 | $ 3,648,588 |

**See Independent Auditor's Report.**
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, 2012, and have issued our report thereon dated February 13, 2013. 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

Management of Iowa Public Radio, Inc. is responsible for establishing and maintaining effective 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 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.

See Independent Auditor's Report.
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 Organization’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below to be a material weakness. The auditee’s response to our finding is included for each identified finding.

Material Weaknesses

12-1 Financial Statements
For the June 30, 2012 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, 2012 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, 2012 with significant assistance from the auditor. For future periods, management intends to prepare the financial statements and required disclosures.

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 deficiency described below to be a significant deficiency. The auditee’s response to our finding is included for each identified finding.

Significant Deficiencies

12-2 Separation of Duties
The size of the office staff precluded a proper separation of the cash receipts function to assure adequate internal control. For a portion of the fiscal year, the individuals who initially handled membership receipts also had control over the daily entries in the membership system. This is not unusual in enterprises of your size, but management should continue to be aware of the condition and realize that the concentration of duties 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. During the fiscal year, the Organization further separated incompatible duties over the cash receipts function by creating a position that had initial responsibility for handling and processing the cash receipts separate and apart from the individual responsible for maintaining the membership software. The Board of Directors and management will continue oversight of current operations on a consistent timely basis.

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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.

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

February 13, 2013

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