



NEWARK PUBLIC RADIO, INC.

Financial Statements

September 30, 2011 and 2010

With Independent Auditors' Reports

Newark Public Radio, Inc.
Table of Contents
September 30, 2011 and 2010

Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7-14
Supplementary Information	
Schedule of Expenditures of Federal Awards and State Financial Assistance	15
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	16-17



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Independent Auditors' Report

To the Board of Trustees,
Newark Public Radio, Inc.:

We have audited the accompanying statements of financial position of Newark Public Radio, Inc. as of September 30, 2011 and 2010 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Newark Public Radio, Inc.'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newark Public Radio, Inc. as of September 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012 on our consideration of Newark Public Radio, Inc.'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.



Our audits were made for the purpose of forming an opinion on the basic financial statements of Newark Public Radio, Inc. taken as a whole. The accompanying schedule of expenditures of Federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the basic 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 schedule of expenditures of Federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

WithumSmith+Brown, PC

January 25, 2012

Newark Public Radio, Inc.
Statements of Financial Position
September 30, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 2,104,381	\$ 2,429,568
Investments	589,934	584,211
Underwriting receivables, less allowance for uncollectible accounts of \$28,800 and \$14,622 in 2011 and 2010, respectively	109,641	122,923
Pledges receivable, less allowance for uncollectible accounts of \$-0- in both 2011 and 2010	427,998	279,188
Grants receivable	405,079	139,371
Loans receivable	13,800	--
Prepaid expenses	<u>32,147</u>	<u>29,820</u>
Total current assets	3,682,980	3,585,081
Property and equipment, net	1,999,148	1,626,425
Other assets		
Investments	831,913	831,913
Loans receivable, net of current	23,762	--
Debt financing costs, net	<u>15,914</u>	<u>19,893</u>
	<u>\$ 6,553,717</u>	<u>\$ 6,063,312</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of bonds payable	\$ 118,361	\$ 112,590
Accounts payable and accrued expenses	109,638	103,494
Loan payable	3,221	3,205
Deferred revenue	<u>39,786</u>	<u>45,843</u>
Total current liabilities	271,006	265,132
Bonds payable, net of current portion	435,314	553,001
Deferred rent	13,270	--
Loan payable, net of current portion	5,112	8,383
Security deposits payable	<u>5,000</u>	<u>5,000</u>
Total liabilities	729,702	831,516
Net assets		
Unrestricted		
Board designated for future expansion	340,000	700,000
Board designated education fund	205,500	205,500
Board designated technical innovation fund	205,500	205,500
Available for general operations	<u>2,141,067</u>	<u>2,127,148</u>
	2,892,067	3,238,148
Investment in property and equipment	<u>1,453,054</u>	<u>980,727</u>
Total unrestricted net assets	4,345,121	4,218,875
Temporarily restricted	646,981	181,008
Permanently restricted	<u>831,913</u>	<u>831,913</u>
Total net assets	<u>5,824,015</u>	<u>5,231,796</u>
	<u>\$ 6,553,717</u>	<u>\$ 6,063,312</u>

The Notes to Financial Statements are an integral part of these statements.

Newark Public Radio, Inc.
Statements of Activities and Changes in Net Assets
Years Ended September 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 2,475,876	\$ 1,202,189	\$ --	\$ 3,678,065	\$ 2,506,487	\$ 294,652	\$ 26,913	\$ 2,828,052
Grants and contracts	1,025,065	--	--	1,025,065	693,746	--	--	693,746
Investment income	9,985	--	--	9,985	23,192	--	--	23,192
Underwriting revenue	425,576	--	--	425,576	465,262	--	--	465,262
Rental income	138,256	--	--	138,256	130,950	--	--	130,950
Special events	299,185	--	--	299,185	325,432	--	--	325,432
(Loss) gain on sale of property	(2,419)	--	--	(2,419)	1,286	--	--	1,286
In-kind contributions	172,186	--	--	172,186	234,268	--	--	234,268
Other income	12,205	--	--	12,205	19,479	--	--	19,479
	<u>4,555,915</u>	<u>1,202,189</u>	<u>--</u>	<u>5,758,104</u>	<u>4,400,102</u>	<u>294,652</u>	<u>26,913</u>	<u>4,721,667</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	736,216	(736,216)	--	--	253,646	(253,646)	--	--
	<u>5,292,131</u>	<u>465,973</u>	<u>--</u>	<u>5,758,104</u>	<u>4,653,748</u>	<u>41,006</u>	<u>26,913</u>	<u>4,721,667</u>
Expenses								
Program services	3,267,012	--	--	3,267,012	2,911,026	--	--	2,911,026
Administrative	829,545	--	--	829,545	793,553	--	--	793,553
Fundraising	1,069,328	--	--	1,069,328	993,141	--	--	993,141
	<u>5,165,885</u>	<u>--</u>	<u>--</u>	<u>5,165,885</u>	<u>4,697,720</u>	<u>--</u>	<u>--</u>	<u>4,697,720</u>
Changes in net assets	126,246	465,973	--	592,219	(43,972)	41,006	26,913	23,947
Net assets, beginning of year	4,218,875	181,008	831,913	5,231,796	4,262,847	140,002	805,000	5,207,849
Net assets, end of year	<u>\$ 4,345,121</u>	<u>\$ 646,981</u>	<u>\$ 831,913</u>	<u>\$ 5,824,015</u>	<u>\$ 4,218,875</u>	<u>\$ 181,008</u>	<u>\$ 831,913</u>	<u>\$ 5,231,796</u>

The Notes to Financial Statements are an integral part of these statements.

Newark Public Radio, Inc.
Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Changes in net assets	\$ 592,219	\$ 23,947
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	122,782	98,754
Net realized/unrealized losses on investments	2,394	760
Donated investments	(583)	(566)
Loss (gain) on sale of equipment	2,419	(1,286)
Bad debt expense	21,960	37,142
Changes in assets and liabilities		
Underwriting receivables	(8,678)	(30,975)
Pledges receivable	(148,810)	(627)
Grants receivable	(265,708)	78
Prepaid expenses	(2,327)	2,433
Accounts payable and accrued expenses	6,144	6,110
Deferred revenue	(6,057)	20,768
Deferred rent	13,270	--
Net cash provided by operating activities	<u>329,025</u>	<u>156,538</u>
Cash flows from investing activities		
Property and equipment additions	(495,045)	(63,519)
Proceeds from sale of equipment	1,100	1,286
Issuance of loan receivable	(37,562)	--
Purchase of investments	(7,534)	(1,106,294)
Proceeds from sale of investments	<u>--</u>	<u>1,087,624</u>
Net cash used by investing activities	(539,041)	(80,903)
Cash flows from financing activities		
Repayment of loan payable	(3,255)	--
Repayments of bonds payable	<u>(111,916)</u>	<u>(106,111)</u>
Net cash used by financing activities	<u>(115,171)</u>	<u>(106,111)</u>
Net change in cash and cash equivalents	(325,187)	(30,476)
Cash and cash equivalents		
Beginning of year	<u>2,429,568</u>	<u>2,460,044</u>
End of year	<u>\$ 2,104,381</u>	<u>\$ 2,429,568</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 32,783</u>	<u>\$ 38,585</u>
Noncash investing and financing activities		
Purchase of van with loan financing	<u>\$ --</u>	<u>\$ 11,588</u>
Donated equipment and services	<u>\$ 172,186</u>	<u>\$ 234,268</u>

No amounts were paid for income taxes for the years ended September 30, 2011 and 2010.

Newark Public Radio, Inc.
Statements of Functional Expenses
Years Ended September 30, 2011 and 2010

	2011				2010			
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Station</u>	<u>Administrative</u>	<u>Fundraising</u>			<u>Station</u>	<u>Administrative</u>	<u>Fundraising</u>
	<u>Operations</u>					<u>Operations</u>		
Salaries	\$ 1,480,972	\$ 458,673	\$ 375,222	\$ 2,314,867	\$ 2,154,511	\$ 1,363,262	\$ 411,957	\$ 379,292
Payroll taxes and fringe benefits	301,208	72,571	79,988	453,767	375,647	242,858	59,893	72,896
Artist fees	105,826	--	--	105,826	65,471	65,471	--	--
Professional services	302,705	63,086	119,660	485,451	275,954	203,246	41,498	31,210
Donated services	77,111	95,076	--	172,187	234,268	73,649	160,619	--
Audience research	42,375	--	--	42,375	42,280	42,280	--	--
Office expense	60,753	4,375	3,339	68,467	56,928	50,466	3,261	3,201
Broadcast supplies	20,949	--	--	20,949	10,812	10,812	--	--
Program purchases	50,490	--	--	50,490	49,197	49,197	--	--
Telephone	42,394	7,883	6,360	56,637	59,828	47,714	6,307	5,807
Printing	47,379	--	--	47,379	45,589	45,589	--	--
Fundraising supplies	--	--	80,377	80,377	47,382	--	--	47,382
Premiums	2,350	--	120,513	122,863	105,481	2,461	--	103,020
Postage and shipping	20,574	2,391	54,934	77,899	124,525	37,914	6,106	80,505
Dues and subscriptions	14,723	5,288	--	20,011	23,532	13,779	9,753	--
Satellite fee	7,494	--	--	7,494	7,100	7,100	--	--
News wire	22,245	--	--	22,245	24,098	24,098	--	--
Credit and administrative fees	177	2,756	50,332	53,265	47,741	328	3,822	43,591
Travel and entertainment	29,523	8,598	2,397	40,518	49,362	30,607	10,868	7,887
Meetings and conferences	--	1,428	--	1,428	1,510	--	1,510	--
Advertising and public relations	17,496	--	15,340	32,836	27,049	6,549	--	20,500
Advertising and public relations - trade	233,280	--	--	233,280	223,680	223,680	--	--
Staff development	3,166	495	5,807	9,468	10,983	4,700	--	6,283
Utilities	36,044	9,981	9,427	55,452	52,419	33,160	10,027	9,232
Space and equipment rental	189,203	6,133	5,792	201,128	143,024	130,800	6,364	5,860
Space and equipment rental - trade	--	--	--	--	37,600	37,600	--	--
Repairs and maintenance	18,519	40,113	--	58,632	38,432	13,095	25,337	--
Insurance	28,989	8,028	7,582	44,599	32,717	20,697	6,258	5,762
Depreciation and amortization	67,718	27,739	27,325	122,782	98,754	61,139	13,370	24,245
Interest expense	21,309	5,901	5,573	32,783	38,585	24,408	7,381	6,796
Special events	--	--	99,360	99,360	139,643	--	--	139,643
Bad debt expense	21,960	--	--	21,960	37,142	37,142	--	--
Miscellaneous	80	9,030	--	9,110	16,476	7,225	9,222	29
	<u>\$ 3,267,012</u>	<u>\$ 829,545</u>	<u>\$ 1,069,328</u>	<u>\$ 5,165,885</u>	<u>\$ 4,697,720</u>	<u>\$ 2,911,026</u>	<u>\$ 793,553</u>	<u>\$ 993,141</u>

The Notes to Financial Statements are an integral part of these statements.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

1. Organization and Purpose

Newark Public Radio, Inc. is a not-for-profit corporation authorized to operate and distribute non-commercial WBGO FM (the "Station") locally at 88.3MHz and worldwide via the internet at www.wbgo.org. The Station is a publicly-supported cultural institution that champions jazz and presents news through radio and other technologies. An affiliate of National Public Radio, the Station's significant sources of revenue are received from contributions, membership fees and grants.

2. Summary of Significant Accounting Policies

Basis of Presentation

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to donor imposed time or purpose restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of the Station. For the years ended September 30, 2011 and 2010 the Station had accounting transactions in all three net asset categories.

Revenue and Support Recognition

Contributions, including membership fees, are recognized as revenue when they are received or unconditionally pledged and revenues are recorded as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Station accounts for those contract revenues which have been determined to be exchange transactions in the statements of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Program revenues received in advance of their usage are classified as liabilities in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Unrestricted revenues are obtained from underwriting revenues, special events, program fees and investment income. These revenues are used to offset program expenses as well as the cost of property and equipment acquisitions and supporting services expenses.

Investments

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the statements of financial position. Donated investments are recorded at the fair value at the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments and interest and dividends) is included in unrestricted net assets unless the income or loss is restricted by donor or law.

Income Taxes

The Station is exempt from Federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and state income taxes under similar provisions. Accordingly, the accompanying financial statements do not reflect provisions for Federal or state income taxes. The Station had no unrecognized benefits at September 30, 2011 and 2010 and has incurred no interest or penalties related to income taxes for the periods presented in their financial statements. Additionally, the Station has no open tax years subject to examination prior to September 30, 2008.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

Property and Equipment and Depreciation

Property and equipment purchases are recorded at cost, except for donated items which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets which range from 5 to 40 years, using the straight-line method.

The principal rates for computing depreciation by major asset categories are as follows:

Description	Estimated Life (Years)
Buildings	40
Building improvements	5-40
Office equipment	5-7
Broadcasting equipment	5-10

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

Functional Allocation of Expenses

Costs of providing program and supporting services have been summarized on a functional basis based on a combination of a direct costing method for charging certain expenses to each function which is consistent with the benefit derived, and using salaries to allocate those expenses that do not have a direct association to a particular function.

Advertising

Advertising is expensed in the period incurred. Advertising amounted to \$32,836 and \$27,049 in 2011 and 2010, respectively. Additionally, during the years ended September 30, 2011 and 2010 the Station had \$233,280 and \$223,680, respectively, of advertising trade, which represented a reciprocal arrangement between the Station and other cultural organizations for promoting each other, based on the fair market value of the services provided and received.

Valuation of Long-Lived Assets

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Station reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, grants and contracts, contribution and other receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Cash and Cash Equivalents

Cash and cash equivalents include funds held in money market accounts and other instruments with an initial maturity of three months or less.

3. Investments

The following summarizes the relationship between the market value and cost of investments at September 30:

	2011		2010	
	Cost	Market	Cost	Market
Equities	\$ 1,852	\$ 9,860	\$ 2,865	\$ 7,533
Certificates of deposit	1,416,723	1,411,987	1,409,728	1,408,591
	<u>\$ 1,418,575</u>	<u>\$ 1,421,847</u>	<u>\$ 1,412,593</u>	<u>\$ 1,416,124</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

Investment income related to these investments is included with investment income earned by cash and cash equivalents on the statements of activities and changes in net assets at September 30, 2011 and 2010 and was comprised of the following:

	2011	2010
Interest and dividend income	\$ 12,529	\$ 24,102
Realized loss	(173)	(254)
Unrealized loss	(2,221)	(506)
Investment fees	(150)	(150)
	<u>\$ 9,985</u>	<u>\$ 23,192</u>

4. Grants and Pledges Receivable

The Station was due certain amounts at September 30, 2011 and 2010 from funding sources which resulted from expenditures incurred in excess of payments received or from donors' notifications of intent to give. Expenditures incurred in excess of payments received, recorded in grants receivable, are as follows at September 30:

	2011	2010
U.S . Department of Commerce	\$ 249,687	\$ --
New Jersey Council on the Arts	83,759	81,498
National Public Radio	18,915	12,600
The Kennedy Center	10,000	10,000
New Jersey Department of State	--	15,273
Corporation for Public Broadcasting	22,718	--
National Endowment for the Arts	20,000	20,000
	<u>\$ 405,079</u>	<u>\$ 139,371</u>

Donor notifications of intent to give, recorded in pledges receivable, amounted to \$427,998 and \$279,188 at September 30, 2011 and 2010, respectively, all of which are expected to be collected in the subsequent fiscal year.

5. Property and Equipment

Property and equipment at September 30, consisted of the following:

	2011	2010
Land	\$ 47,855	\$ 47,855
Buildings	82,684	82,684
Building improvements	2,265,653	2,261,886
Boardcasting equipment	1,793,150	1,338,835
Office equipment	523,922	574,864
	<u>4,713,264</u>	<u>4,306,124</u>
Less: Accumulated depreciation	<u>2,714,116</u>	<u>2,679,699</u>
	<u>\$ 1,999,148</u>	<u>\$ 1,626,425</u>

Depreciation expense totaled \$118,803 and \$94,775 for the years ended September 30, 2011 and 2010, respectively.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

6. Recurring Fair Value Measurements

The Station has provided fair value disclosure information for relevant assets and liabilities in these financial statements. For applicable assets and liabilities, the Station values such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Station values such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Station develops measurement criteria based on the best information available.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Station has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own estimates about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Station's own data.)

The following table summarizes assets which have been accounted for at fair value on a recurring basis along with the basis of the determination of fair value as of September 30, 2011 and 2010:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Observable Measurement Criteria (Level 2)</u>	<u>Unobservable Measurement Criteria (Level 3)</u>
<u>September 30, 2011</u>				
Stocks	\$ 9,860	\$ 9,860	\$ --	\$ --
Certificates of deposit	<u>1,411,987</u>	<u>--</u>	<u>1,411,987</u>	<u>--</u>
Total investments	<u>\$ 1,421,847</u>	<u>\$ 9,860</u>	<u>\$ 1,411,987</u>	<u>\$ --</u>
<u>September 30, 2010</u>				
Stocks	\$ 7,533	\$ 7,533	\$ --	\$ --
Certificates of deposit	<u>1,408,591</u>	<u>--</u>	<u>1,408,591</u>	<u>--</u>
Total investments	<u>\$ 1,416,124</u>	<u>\$ 7,533</u>	<u>\$ 1,408,591</u>	<u>\$ --</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

7. Deferred Financing Costs

The Station incurred bond financing costs of \$59,678 in conjunction with the issuance of New Jersey Economic Development Agency Bonds which are being amortized over fifteen years at an amount of \$3,979 annually. Bond financing costs shown net of accumulated amortization were \$15,914 and \$19,893 at September 30, 2011 and 2010, respectively. Amortization expense amounted to \$3,979 for each of the years ended September 30, 2011 and 2010. The subsequent five year amortization of the deferred financing costs is as follows:

Years Ending September 30,	Amount
2012	\$ 3,979
2013	3,979
2014	3,979
2015	<u>3,977</u>
	<u>\$ 15,914</u>

8. Bonds Payable

In November 2000 the New Jersey Economic Development Authority ("NJEDA") issued \$1,500,000 of variable rate, tax exempt revenue bonds (Newark Public Radio, Inc. – 2000 Project) to help pay for a portion of the estimated costs to construct, equip and staff the facility, renovate the administrative offices and radio station, acquire machinery and equipment and refinance existing debt.

Under the terms of the bond indenture agreement and the loan agreement between the Station and NJEDA the bonds require the monthly payment of principal and interest. The interest rate is currently 5.25 percent, pegged to the average U.S. Treasury five-year note yield plus 2 percent and resets every five years. The bonds mature in October 2015 and are secured by a mortgage on land and building.

Scheduled principal repayments of the bonds are as follows:

Years Ending September 30,	Amount
2012	\$ 118,361
2013	124,726
2014	131,434
2015	138,503
2016	<u>40,651</u>
	553,675
Less: Current portion of bonds payable	<u>118,361</u>
Bonds payable, net of current portion	<u>\$ 435,314</u>

9. Loan Payable

The Station entered into a loan agreement to finance the purchase of a van. The Station owed \$8,333 and \$11,558 as of September 30, 2011 and 2010, respectively. The loan is unsecured with no stated rate of interest. Scheduled principal repayments of the van loan payable are as follows:

Years Ending September 30,	Amount
2012	\$ 3,221
2013	3,236
2014	<u>1,876</u>
	<u>\$ 8,333</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

10. Operating Leases

Rental Income

The Station leases a portion of its radio frequency to two other radio stations under a month to month lease contract and a lease contract which expires in November 2012. Rental income from these leases was \$138,256 and \$130,950 for the years ended September 30, 2011 and 2010, respectively. Minimum future annual rentals under these agreements are \$96,811 for the year ended September 30, 2012.

Rental Expense

The Station leases office equipment and antenna space under various non-cancelable operating leases with expiration ranging from July 2012 through March 2025. Additionally, the Station leases equipment and space for events held during the year. Rental expense amounted to \$201,128 and \$180,624 for the years ended September 30, 2011 and 2010, respectively. Minimum future annual rentals under non-cancelable lease agreements for the remaining lease terms are as follows:

Year	Amount
2012	\$ 113,365
2013	81,414
2014	64,845
2015	66,142
2016	67,465
Thereafter	<u>630,542</u>
	<u>\$ 1,023,773</u>

11. Employee Retirement Plan

All full time employees of the Station who have completed minimum service requirements are eligible to participate in Newark Public Radio, Inc.'s Retirement Plan (the "Plan"), a defined contribution plan. Participants in the Plan may contribute a percentage of their compensation up to the maximum allowed by I.R.S. regulations. The Station makes discretionary contributions to each participant's account of up to 4 percent of the participant's compensation. Participants become vested immediately upon entry into the Plan. It is the Station's policy to fund contributions currently. The Station's discretionary contribution was approximately \$47,000 and \$42,000 for the years ended September 30, 2011 and 2010, respectively.

12. Net Assets

Components of temporarily restricted net assets were as follows at September 30:

	2011	2010
Temporarily restricted -		
Restricted by donor for programmatic use as follows		
Signal Expansion Project	\$ 629,531	\$ 10,000
Jazzset CD Project	--	30,705
Jazzset	14,130	25,491
Digitization Project	--	100,000
Special Projects	<u>3,320</u>	<u>14,812</u>
	<u>\$ 646,981</u>	<u>\$ 181,008</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

Components of permanently restricted net assets were as follows at September 30:

	2011	2010
Permanently restricted net assets -		
Donor restricted endowed principal		
National Endowment for the Arts	\$ 240,000	\$ 240,000
Jazznet Endowment	300,000	300,000
Prudential Financial	250,000	250,000
NJ Cultural Trust	41,913	41,913
	<u>\$ 831,913</u>	<u>\$ 831,913</u>

Of the funds included in the permanently restricted net assets of the Station, \$430,000 represents donations certified by the New Jersey Cultural Trust.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2011	2010
Jazzset	\$ 191,801	\$ 188,833
Children's Music Project	21,150	10,000
Jazzset CD project	30,705	--
My Source Project	25,000	--
Oris Concerts	2,229	--
Jazzset New Year's Eve	13,636	11,722
Signal Expansion Project	333,232	--
Digitization Project	100,000	--
Special Projects	18,463	43,091
	<u>\$ 736,216</u>	<u>\$ 253,646</u>

13. Concentrations of Credit Risk

Financial investments which potentially subject the Station to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. In an attempt to limit the credit risk, the Station places all funds with high quality financial institutions. At various times throughout the years, the Station had cash balances in excess of FDIC insurance coverage. The credit risk with regard to receivables is limited due to amounts being comprised of many immaterial balances from a wide range of individuals and organizations.

14. Endowment Funds

The Station's endowment consists of four individual funds established to support the Station operations. The funds are donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Station has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Station classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets in accordance with the donor agreements.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

Return Objectives and Risk Parameters

The Station follows investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Station relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in endowment net assets for the years ended September 30, 2011 and 2010 are as follows:

	<u>National Endowment for the Arts</u>	<u>Jazznet Endowment</u>	<u>Prudential Endowment</u>	<u>NJ Cultural Trust</u>	<u>Total</u>
Balance - 10/01/09	\$ 240,000	\$ 300,000	\$ 250,000	\$ 15,000	\$ 805,000
Contributions	--	--	--	26,913	26,913
Release - timing	--	--	--	--	--
Balance - 9/30/10	<u>240,000</u>	<u>300,000</u>	<u>250,000</u>	<u>41,913</u>	<u>831,913</u>
Contributions	--	--	--	--	--
Release - timing	--	--	--	--	--
Balance - 9/30/11	<u>\$ 240,000</u>	<u>\$ 300,000</u>	<u>\$ 250,000</u>	<u>\$ 41,913</u>	<u>\$ 831,913</u>

15. Subsequent Events

The Station has evaluated subsequent events occurring after the statement of financial position date through the date of January 25, 2012, the date the financial statements were available for release. Based upon this evaluation, the Station has determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Newark Public Radio, Inc.
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2011

Grantor/Program Title	CFDA # Number	Award Number	Award Period	Expenditures	
U.S. Department of Commerce Public Telecommunications Facilities Planning and Construction	11.550	34-01-10131	10/01/10-03/31/12	\$ 249,688	
National Endowment for the Arts	45.024	10-3446-7116	06/01/10-05/31/11	40,000	
	45.024	11-3446-7112	06/01/11-05/31/12	<u>20,000</u>	
Total National Endowment for the Arts				<u>60,000</u>	
Total Federal awards				<u>\$ 309,688</u>	
State Financial Assistance					
State of New Jersey - Department of State Pass-through New Jersey State Council on the Arts	N/A	1102X01Newa 1202X01Newa	07/01/10-06/30/11 07/01/11-06/30/12	\$ 162,150 (A) <u>51,337 (A)</u> 213,487	Questioned Costs \$ -- <u>\$ --</u>
State of New Jersey - Department of State Pass-through New Jersey Cultural Trust	N/A	11CULT005AFS	10/06/2010-10/31/2011	<u>9,000</u>	
Total state financial assistance				<u>\$ 222,487</u>	

(A) In connection with our audit of Newark Public Radio, Inc. for the year ended September 30, 2011, nothing came to our attention that caused us to believe that the financial information submitted by the Station in the Final Report, relating to the New Jersey State Council on the Arts grant, required adjustment or contained unallowable costs.

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Newark Public Radio, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Government Auditing Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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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 Trustees,
Newark Public Radio, Inc.:

We have audited the financial statements of Newark Public Radio, Inc. as of and for the year ended September 30, 2011, and have issued our report thereon dated January 25, 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.

Internal Control Over Financial Reporting

Management of Newark Public Radio, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Newark 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 Newark Public Radio, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newark Public Radio, Inc.'s internal control over financial reporting.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newark 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*.

We noted certain matters that we reported to management of Newark Public Radio, Inc. in a separate letter dated January 25, 2012.

This report is intended solely for the information and use of the audit committee, management of Newark Public Radio, Inc. and Federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC". The signature is written in a cursive, flowing style.

January 25, 2012