



NEWARK PUBLIC RADIO, INC.

Financial Statements

September 30, 2012 and 2011

With Independent Auditors' Reports

Newark Public Radio, Inc.
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September 30, 2012 and 2011

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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, 2012 and 2011 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. 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, 2012 and 2011 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.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

January 7, 2013

Newark Public Radio, Inc.
Statements of Financial Position
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 1,784,469	\$ 2,104,381
Investments	674,103	589,934
Underwriting receivables, less allowance for uncollectible accounts of \$28,800 for both 2012 and 2011, respectively	152,340	109,641
Pledges receivable	370,589	427,998
Grants and contracts receivable	258,168	405,079
Loans receivable	13,800	13,800
Prepaid expenses	45,728	32,147
Total current assets	<u>3,299,197</u>	<u>3,682,980</u>
Property and equipment, net	1,961,229	1,999,148
Other assets		
Investments	856,141	831,913
Pledges receivable, net of current portion	46,443	--
Loans receivable, net of current	10,683	23,762
Debt financing costs, net	11,936	15,914
	<u>\$ 6,185,629</u>	<u>\$ 6,553,717</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of bonds payable	\$ 124,726	\$ 118,361
Accounts payable and accrued expenses	141,633	109,638
Loan payable	3,229	3,221
Deferred revenue	37,675	39,786
Total current liabilities	<u>307,263</u>	<u>271,006</u>
Bonds payable, net of current portion	310,588	435,314
Deferred rent	20,693	13,270
Loan payable, net of current portion	1,850	5,112
Security deposits payable	--	5,000
Total liabilities	<u>640,394</u>	<u>729,702</u>
Net assets		
Unrestricted		
Board designated for future expansion	340,000	340,000
Board designated education fund	205,500	205,500
Board designated technical innovation fund	205,500	205,500
Available for general operations	1,656,349	2,141,067
	<u>2,407,349</u>	<u>2,892,067</u>
Investment in property and equipment	1,532,772	1,453,054
Total unrestricted net assets	<u>3,940,121</u>	<u>4,345,121</u>
Temporarily restricted	748,973	646,981
Permanently restricted	856,141	831,913
Total net assets	<u>5,545,235</u>	<u>5,824,015</u>
	<u>\$ 6,185,629</u>	<u>\$ 6,553,717</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, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 2,665,726	\$ 655,564	\$ 24,228	\$ 3,345,518	\$ 2,475,876	\$ 1,202,189	\$ --	\$ 3,678,065
Grants and contracts	840,515	--	--	840,515	1,025,065	--	--	1,025,065
Investment income	19,170	--	--	19,170	9,985	--	--	9,985
Underwriting revenue	519,807	--	--	519,807	425,576	--	--	425,576
Rental income	128,311	--	--	128,311	138,256	--	--	138,256
Special events	292,764	--	--	292,764	299,185	--	--	299,185
Loss on sale of property	--	--	--	--	(2,419)	--	--	(2,419)
In-kind contributions	380,158	--	--	380,158	172,186	--	--	172,186
Other income	11,589	--	--	11,589	12,205	--	--	12,205
	<u>4,858,040</u>	<u>655,564</u>	<u>24,228</u>	<u>5,537,832</u>	<u>4,555,915</u>	<u>1,202,189</u>	<u>--</u>	<u>5,758,104</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	553,572	(553,572)	--	--	736,216	(736,216)	--	--
	<u>5,411,612</u>	<u>101,992</u>	<u>24,228</u>	<u>5,537,832</u>	<u>5,292,131</u>	<u>465,973</u>	<u>--</u>	<u>5,758,104</u>
Expenses								
Program services	3,858,186	--	--	3,858,186	3,267,012	--	--	3,267,012
Administrative	775,897	--	--	775,897	829,545	--	--	829,545
Fundraising	1,182,529	--	--	1,182,529	1,069,328	--	--	1,069,328
	<u>5,816,612</u>	<u>--</u>	<u>--</u>	<u>5,816,612</u>	<u>5,165,885</u>	<u>--</u>	<u>--</u>	<u>5,165,885</u>
Changes in net assets	(405,000)	101,992	24,228	(278,780)	126,246	465,973	--	592,219
Net assets, beginning of year	4,345,121	646,981	831,913	5,824,015	4,218,875	181,008	831,913	5,231,796
Net assets, end of year	<u>\$ 3,940,121</u>	<u>\$ 748,973</u>	<u>\$ 856,141</u>	<u>\$ 5,545,235</u>	<u>\$ 4,345,121</u>	<u>\$ 646,981</u>	<u>\$ 831,913</u>	<u>\$ 5,824,015</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, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Changes in net assets	\$ (278,780)	\$ 592,219
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	159,438	122,782
Net realized/unrealized (gains) losses on investments	(6,622)	2,394
Donated investments	(56,101)	(583)
Loss on sale of equipment	--	2,419
Bad debt expense	3,300	21,960
Changes in assets and liabilities		
Underwriting receivables	(45,999)	(8,678)
Pledges receivable	10,966	(148,810)
Grants receivable	146,911	(265,708)
Prepaid expenses	(13,581)	(2,327)
Accounts payable and accrued expenses	31,995	6,144
Security deposits payable	(5,000)	--
Deferred revenue	(2,111)	(6,057)
Deferred rent	7,423	13,270
Net cash (used) provided by operating activities	<u>(48,161)</u>	<u>329,025</u>
Cash flows from investing activities		
Property and equipment additions	(117,541)	(495,045)
Proceeds from sale of equipment	--	1,100
Issuance of loans receivable	--	(37,562)
Payments received on loan receivable	13,079	--
Purchase of investments	(603,945)	(7,534)
Proceeds from sale of investments	<u>558,271</u>	<u>--</u>
Net cash used by investing activities	<u>(150,136)</u>	<u>(539,041)</u>
Cash flows from financing activities		
Repayment of loan payable	(3,254)	(3,255)
Repayments of bonds payable	<u>(118,361)</u>	<u>(111,916)</u>
Net cash used by financing activities	<u>(121,615)</u>	<u>(115,171)</u>
Net change in cash and cash equivalents	(319,912)	(325,187)
Cash and cash equivalents		
Beginning of year	<u>2,104,381</u>	<u>2,429,568</u>
End of year	<u>\$ 1,784,469</u>	<u>\$ 2,104,381</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 26,740</u>	<u>\$ 32,783</u>
Noncash operating activities		
Donated services	<u>\$ 380,158</u>	<u>\$ 172,186</u>

No amounts were paid for income taxes for the years ended September 30, 2012 and 2011

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

Newark Public Radio, Inc.
Statements of Functional Expenses
Years Ended September 30, 2012 and 2011

	2012				2011			
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Station Operations</u>	<u>Administrative</u>	<u>Fundraising</u>			<u>Station Operations</u>	<u>Administrative</u>	<u>Fundraising</u>
Salaries	\$ 1,535,693	\$ 483,283	\$ 405,968	\$ 2,424,944	\$ 2,314,867	\$ 1,480,972	\$ 458,673	\$ 375,222
Payroll taxes and fringe benefits	298,023	74,212	97,894	470,129	453,767	301,208	72,571	79,988
Artist fees	93,172	--	--	93,172	105,826	105,826	--	--
Professional services	409,568	84,630	47,960	542,158	485,451	302,705	63,086	119,660
Donated services	378,558	--	1,600	380,158	172,187	77,111	95,076	--
Audience research	37,910	--	--	37,910	42,375	42,375	--	--
Office expense	29,617	4,024	3,560	37,201	31,882	24,168	4,375	3,339
Broadcast supplies	9,460	--	--	9,460	20,949	20,949	--	--
Program purchases	55,920	--	--	55,920	50,490	50,490	--	--
Internet streaming	32,356	--	--	32,356	36,585	36,585	--	--
Telephone	51,254	7,331	6,158	64,743	56,637	42,394	7,883	6,360
Printing	37,046	--	--	37,046	47,379	47,379	--	--
Fundraising supplies	--	--	101,516	101,516	80,377	--	--	80,377
Premiums	3,626	--	114,167	117,793	122,863	2,350	--	120,513
Postage and shipping	21,506	2,652	82,570	106,728	77,899	20,574	2,391	54,934
Dues and subscriptions	14,912	6,143	4,172	25,227	20,011	14,723	5,288	--
Satellite fee	7,906	--	--	7,906	7,494	7,494	--	--
Newswire	20,432	--	--	20,432	22,245	22,245	--	--
Credit and administrative fees	1,818	2,498	62,766	67,082	53,265	177	2,756	50,332
Travel and entertainment	31,491	7,796	4,360	43,647	40,518	29,523	8,598	2,397
Meetings and conferences	35	716	--	751	1,428	--	1,428	--
Advertising and public relations	12,310	60	20,161	32,531	32,836	17,496	--	15,340
Advertising and public relations - trade	408,673	--	--	408,673	233,280	233,280	--	--
Staff development	3,895	555	6,129	10,579	9,468	3,166	495	5,807
Utilities	33,360	10,560	8,871	52,791	55,452	36,044	9,981	9,427
Space and equipment rental	165,047	6,228	5,232	176,507	201,128	189,203	6,133	5,792
Repairs and maintenance	26,505	26,962	--	53,467	58,632	18,519	40,113	--
Insurance	31,516	9,977	8,381	49,874	44,599	28,989	8,028	7,582
Depreciation and amortization	85,502	35,071	38,865	159,438	122,782	67,718	27,739	27,325
Interest expense	16,897	5,349	4,494	26,740	32,783	21,309	5,901	5,573
Special events	--	--	157,705	157,705	99,360	--	--	99,360
Bad debt expense	3,300	--	--	3,300	21,960	21,960	--	--
Miscellaneous	878	7,850	--	8,728	9,110	80	9,030	--
	<u>\$ 3,858,186</u>	<u>\$ 775,897</u>	<u>\$ 1,182,529</u>	<u>\$ 5,816,612</u>	<u>\$ 5,165,885</u>	<u>\$ 3,267,012</u>	<u>\$ 829,545</u>	<u>\$ 1,069,328</u>

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

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

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, 2012 and 2011 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.

Donated professional services and supplies are recorded as unrestricted revenue at the estimated fair market value when received.

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, 2012 and 2011 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.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

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.

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 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 \$32,531 and \$32,836 in 2012 and 2011, respectively. Additionally, during the years ended September 30, 2012 and 2011 the Station had \$408,673 and \$233,280, 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 underwriting receivables, grants and contracts receivable, pledges receivable, prepaid expenses, loans receivable, 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.

Reclassification

Certain amounts in the 2011 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2012 financial statements. These reclassifications had no effect on previously reported net assets.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

3. Pledges Receivable

Pledges receivable are as follows at September 30:

	2012	2011
Less than 1 year	\$ 370,589	\$ 427,998
1-5 years	50,000	--
	<u>420,589</u>	<u>427,998</u>
Less: Discounts to net present value at 3 percent	3,557	--
	<u>\$ 417,032</u>	<u>\$ 427,998</u>

4. Grants and Contracts Receivable

The Station was due certain amounts at September 30, 2012 and 2011 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 and contracts receivable, are as follows at September 30:

	2012	2011
U.S . Department of Commerce	\$ 22,500	\$ 249,687
New Jersey Council on the Arts	82,051	83,759
National Public Radio	30,609	18,915
The Kennedy Center	--	10,000
Corporation for Public Broadcasting	30,000	22,718
The Argus Fund	79,000	--
National Endowment for the Arts	--	20,000
New Jersey Cultural Trust	4,228	--
Other	9,780	--
	<u>\$ 258,168</u>	<u>\$ 405,079</u>

5. Investments

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

	2012		2011	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equities	\$ 2,399	\$ 13,034	\$ 1,852	\$ 9,860
Certificates of deposit	1,520,489	1,517,210	1,416,723	1,411,987
	<u>\$ 1,522,888</u>	<u>\$ 1,530,244</u>	<u>\$ 1,418,575</u>	<u>\$ 1,421,847</u>

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, 2012 and 2011 and was comprised of the following:

	2012	2011
Interest and dividend income	\$ 12,698	\$ 12,529
Realized gain (loss)	2,113	(173)
Unrealized gain (loss)	4,509	(2,221)
Investment fees	(150)	(150)
	<u>\$ 19,170</u>	<u>\$ 9,985</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

6. Property and Equipment

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

	2012	2011
Land	\$ 47,855	\$ 47,855
Buildings	82,684	82,684
Building improvements	2,335,323	2,265,653
Boardcasting equipment	1,835,883	1,793,150
Office equipment	<u>520,541</u>	<u>523,922</u>
	4,822,286	4,713,264
Less: Accumulated depreciation	<u>2,861,057</u>	<u>2,714,116</u>
	<u>\$ 1,961,229</u>	<u>\$ 1,999,148</u>

Depreciation expense totaled \$155,459 and \$118,803 for the years ended September 30, 2012 and 2011, respectively.

7. 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, 2012 and 2011:

	2012			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Stocks	\$ 13,034	\$ 13,034	\$ --	\$ --
Certificates of deposit	<u>1,517,210</u>	<u>--</u>	<u>1,517,210</u>	<u>--</u>
Total investments	<u>\$ 1,530,244</u>	<u>\$ 13,034</u>	<u>\$ 1,517,210</u>	<u>\$ --</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

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

8. 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 \$11,936 and \$15,914 at September 30, 2012 and 2011, respectively. Amortization expense amounted to \$3,979 for each of the years ended September 30, 2012 and 2011. The subsequent year amortization of the deferred financing costs is as follows:

Years Ending September 30,	Amount
2013	\$ 3,979
2014	3,979
2015	3,978
	<u>\$ 11,936</u>

9. 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 January 2016 and are secured by a mortgage on land and building. Bonds payable amounted to \$435,314 and \$553,675 as of September 30, 2012 and 2011, respectively.

Scheduled principal repayments of the bonds are as follows:

Years Ending September 30,	Amount
2013	\$ 124,726
2014	131,434
2015	138,503
2016	40,651
	435,314
Less: Current portion of bonds payable	124,726
Bonds payable, net of current portion	<u>\$ 310,588</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

10. Loan Payable

The Station entered into a loan agreement to finance the purchase of a van. The Station owed \$5,079 and \$8,333 as of September 30, 2012 and 2011, 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
2013	\$ 3,229
2014	<u>1,850</u>
	<u>\$ 5,079</u>

11. 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 September 2013. Rental income from these leases was \$128,311 and \$138,256 for the years ended September 30, 2012 and 2011, respectively. Minimum future annual rentals under these agreements are \$97,200 for the year ended September 30, 2013.

Rental Expense

The Station leases office equipment and antenna space under various non-cancelable operating leases with expiration ranging from July 2013 through March 2025. Additionally, the Station leases equipment and space for events held during the year. Rental expense amounted to \$176,507 and \$201,128 for the years ended September 30, 2012 and 2011, respectively. Minimum future annual rentals under non-cancelable lease agreements for the remaining lease terms are as follows:

Year	Amount
2013	\$ 81,414
2014	64,845
2015	66,142
2016	67,465
2017	68,814
Thereafter	<u>561,728</u>
	<u>\$ 910,408</u>

12. 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 \$48,075 and \$46,737 for the years ended September 30, 2012 and 2011, respectively.

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13. Net Assets

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

	2012	2011
Temporarily restricted -		
Restricted by donor for programmatic use as follows		
Signal Expansion Project	\$ 657,501	\$ 629,531
Jazzset	--	14,130
Children's music project	26,120	--
Remote broadcasting	4,973	--
Live jazz productions	51,000	--
Special Projects	9,379	3,320
	<u>\$ 748,973</u>	<u>\$ 646,981</u>

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

	2012	2011
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	66,141	41,913
	<u>\$ 856,141</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:

	2012	2011
Jazzset	\$ 199,346	\$ 191,801
Children's Music Project	22,380	21,150
Jazzset CD project	--	30,705
My Source Project	--	25,000
Oris Concerts	--	2,229
Jazzset New Year's Eve	25,000	13,636
Signal Expansion Project	264,878	333,232
Digitization Project	--	100,000
Live jazz productions	28,000	--
Berkeley College remote broadcasting	5,027	--
Special Projects	8,941	18,463
	<u>\$ 553,572</u>	<u>\$ 736,216</u>

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14. 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.

The Station had one grantor who contributed 10.53 percent of total revenue for the year ended September 30, 2012. No such concentrations existed for the year ended September 30, 2011.

15. 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.

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, 2012 and 2011 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 - 10/01/10	\$ 240,000	\$ 300,000	\$ 250,000	\$ 41,913	\$ 831,913
Contributions	--	--	--	--	--
Balance - 9/30/11	240,000	300,000	250,000	41,913	831,913
Contributions	--	--	--	24,228	24,228
Balance - 9/30/12	<u>\$ 240,000</u>	<u>\$ 300,000</u>	<u>\$ 250,000</u>	<u>\$ 66,141</u>	<u>\$ 856,141</u>

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16. Subsequent Events

The Station has evaluated subsequent events occurring after the statement of financial position date through the date of January 7, 2013, 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.