



**NEWARK PUBLIC RADIO, INC.**

**Financial Statements**

**September 30, 2016 and 2015**

**With Independent Auditors' Reports**

**Newark Public Radio, Inc.**  
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**September 30, 2016 and 2015**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Newark Public Radio, Inc. ("WBGO"), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to WBGO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WBGO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of Federal awards and state financial assistance (the "supplementary information") is presented for purposes of additional analysis as required by the State of New Jersey Council on the Arts grant contract and is not a required part of the financial statements. Such supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2017 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* in considering Newark Public Radio, Inc.'s internal control over financial reporting and compliance.



January 6, 2017

**Newark Public Radio, Inc.**  
**Statements of Financial Position**  
**September 30, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,239,871	\$ 1,173,765
Investments - unrestricted	688,959	682,859
Underwriting receivables, less allowance for uncollectible accounts of \$27,625 for each of the years ended September 30, 2016 and 2015	109,904	107,939
Pledges receivable, net	263,716	285,521
Grants and contracts receivable	91,332	92,712
Loans receivable	--	499
Prepaid expenses	<u>57,556</u>	<u>73,792</u>
Total current assets	2,451,338	2,417,087
Property and equipment, net	1,508,109	1,642,019
Other assets		
Investments - permanently restricted	<u>878,999</u>	<u>878,999</u>
Total assets	<u>\$ 4,838,446</u>	<u>\$ 4,938,105</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of bonds payable	\$ --	\$ 41,732
Accounts payable and accrued expenses	71,499	70,914
Grant advances payable	36,667	--
Severance payable, current portion	50,091	50,000
Deferred revenue	<u>48,414</u>	<u>76,918</u>
Total current liabilities	206,671	239,564
Severance payable, net of current portion	--	50,091
Deferred rent	37,667	35,382
Security deposits payable	<u>2,000</u>	<u>--</u>
Total liabilities	246,338	325,037
Net assets		
Unrestricted		
Board designated education fund	147,763	147,763
Board designated technical innovation fund	205,500	205,500
Available for general operations	<u>1,155,470</u>	<u>1,225,240</u>
Total unrestricted net assets	1,508,733	1,578,503
Investment in property and equipment	<u>1,508,109</u>	<u>1,600,287</u>
Total unrestricted net assets	3,016,842	3,178,790
Temporarily restricted	696,267	555,279
Permanently restricted	<u>878,999</u>	<u>878,999</u>
Total net assets	<u>4,592,108</u>	<u>4,613,068</u>
Total liabilities and net assets	<u>\$ 4,838,446</u>	<u>\$ 4,938,105</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, 2016 and 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 2,262,042	\$ 698,798	\$ --	\$ 2,960,840	\$ 2,089,088	\$ 534,234	\$ --	\$ 2,623,322
Grants and contracts	692,781	--	--	692,781	752,395	--	--	752,395
Investment income, net	9,070	--	--	9,070	6,120	--	--	6,120
Underwriting revenue	602,755	--	--	602,755	663,777	--	--	663,777
Rental income	9,000	--	--	9,000	--	--	--	--
Special events	633,503	--	--	633,503	642,098	--	--	642,098
Loss on disposal of property	(1,347)	--	--	(1,347)	--	--	--	--
Trade revenue	150,847	--	--	150,847	348,595	--	--	348,595
In-kind contributions	2,229	--	--	2,229	5,250	--	--	5,250
Other income	22,850	--	--	22,850	12,910	--	--	12,910
	<u>4,383,730</u>	<u>698,798</u>	<u>--</u>	<u>5,082,528</u>	<u>4,520,233</u>	<u>534,234</u>	<u>--</u>	<u>5,054,467</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	557,810	(557,810)	--	--	583,469	(583,469)	--	--
	<u>4,941,540</u>	<u>140,988</u>	<u>--</u>	<u>5,082,528</u>	<u>5,103,702</u>	<u>(49,235)</u>	<u>--</u>	<u>5,054,467</u>
Expenses								
Program services	3,111,197	--	--	3,111,197	3,360,629	--	--	3,360,629
Administrative	607,457	--	--	607,457	574,481	--	--	574,481
Fundraising	1,384,834	--	--	1,384,834	1,334,246	--	--	1,334,246
	<u>5,103,488</u>	<u>--</u>	<u>--</u>	<u>5,103,488</u>	<u>5,269,356</u>	<u>--</u>	<u>--</u>	<u>5,269,356</u>
Changes in net assets	(161,948)	140,988	--	(20,960)	(165,654)	(49,235)	--	(214,889)
Net assets, beginning of year	<u>3,178,790</u>	<u>555,279</u>	<u>878,999</u>	<u>4,613,068</u>	<u>3,344,444</u>	<u>604,514</u>	<u>878,999</u>	<u>4,827,957</u>
Net assets, end of year	<u>\$ 3,016,842</u>	<u>\$ 696,267</u>	<u>\$ 878,999</u>	<u>\$ 4,592,108</u>	<u>\$ 3,178,790</u>	<u>\$ 555,279</u>	<u>\$ 878,999</u>	<u>\$ 4,613,068</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, 2016 and 2015**

	2016	2015
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (20,960)	\$ (214,889)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	142,063	158,333
Net realized/unrealized loss on investments	2,964	3,531
Donated investments	(2,719)	(29,223)
Loss on disposal of property and equipment	1,347	--
Bad debt expense	7,820	26,007
Changes in assets and liabilities		
Underwriting receivables	(9,785)	(23,123)
Pledges receivable, net	21,805	29,577
Grants and contracts receivable	1,380	146,423
Prepaid expenses	16,236	(52,260)
Accounts payable and accrued expenses	585	356
Grant advances payable	36,667	--
Severance payable	(50,000)	(52,413)
Security deposits payable	2,000	(5,000)
Deferred revenue	(28,504)	9,222
Deferred rent	2,285	3,608
Net cash provided by operating activities	<u>123,184</u>	<u>149</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(9,500)	(55,661)
Payments received on loan receivable	499	1,320
Purchase of investments	(1,632,501)	(1,627,513)
Proceeds from sale of investments	<u>1,626,156</u>	<u>1,625,653</u>
Net cash used by investing activities	(15,346)	(56,201)
<b>Cash flows from financing activities</b>		
Repayment of bonds payable	<u>(41,732)</u>	<u>(138,346)</u>
Net cash used by financing activities	<u>(41,732)</u>	<u>(138,346)</u>
Net change in cash and cash equivalents	66,106	(194,398)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>1,173,765</u>	<u>1,368,163</u>
End of year	<u>\$ 1,239,871</u>	<u>\$ 1,173,765</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 134</u>	<u>\$ 6,532</u>
Noncash operating activities		
Donated services	<u>\$ 2,229</u>	<u>\$ 5,250</u>
Trade revenue and expense	<u>\$ 150,847</u>	<u>\$ 348,595</u>

No amounts were paid for income taxes for the years ended September 30, 2016 and 2015.

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

**Newark Public Radio, Inc.**  
**Statements of Functional Expenses**  
**Years Ended September 30, 2016 and 2015**

	2016				2015			
	Program Services	Supporting Services		Total	Total	Program Services	Supporting Services	
	Station Operations	Administrative	Fundraising			Station Operations	Administrative	Fundraising
Salaries	\$ 1,650,246	\$ 366,763	\$ 524,879	\$ 2,541,888	\$ 2,511,684	\$ 1,647,694	\$ 361,853	\$ 502,137
Payroll taxes and fringe benefits	342,332	92,619	132,550	567,501	533,213	319,346	78,624	135,243
Artist fees	58,234	--	--	58,234	76,742	76,742	--	--
Professional services	241,346	41,115	16,884	299,345	293,279	252,855	32,198	8,226
Donated services	--	2,229	--	2,229	5,250	--	5,250	--
Audience research	44,720	--	--	44,720	50,590	50,590	--	--
Office expense	23,097	2,356	3,373	28,826	28,014	22,286	2,640	3,088
Broadcast supplies	10,913	--	--	10,913	15,585	15,585	--	--
Program purchases	57,086	--	--	57,086	39,446	39,446	--	--
Internet streaming	27,840	--	--	27,840	27,780	27,780	--	--
Telephone	43,108	3,964	5,673	52,745	49,667	40,888	3,677	5,102
Printing	19,457	--	--	19,457	30,341	30,341	--	--
Fundraising supplies	--	--	78,430	78,430	49,874	--	--	49,874
Premiums	1,896	--	77,176	79,072	104,915	9,920	--	94,995
Postage and shipping	13,594	2,679	25,222	41,495	52,050	16,573	3,016	32,461
Dues and subscriptions	20,690	4,200	435	25,325	26,874	15,281	2,020	9,573
Satellite fee	8,953	--	--	8,953	8,683	8,683	--	--
Newswire	27,739	--	--	27,739	27,779	27,779	--	--
Credit and administrative fees	--	1,316	65,165	66,481	66,719	30	2,057	64,632
Travel and entertainment	22,831	7,015	1,880	31,726	37,793	28,451	4,815	4,527
Meetings and conferences	570	1,743	--	2,313	1,132	--	1,132	--
Advertising and public relations	13,967	390	13,870	28,227	11,422	11,242	100	80
Advertising and public relations - trade	150,847	--	--	150,847	348,595	348,595	--	--
Staff development	1,194	990	6,684	8,868	8,538	2,411	1,385	4,742
Utilities	28,359	6,303	9,020	43,682	47,532	31,181	6,848	9,503
Space and equipment rental	149,733	6,070	8,684	164,487	170,857	156,482	6,021	8,354
Repairs and maintenance	31,051	24,310	--	55,361	48,108	26,708	21,400	--
Insurance	38,139	10,697	11,018	59,854	55,104	38,385	7,002	9,717
Depreciation and amortization	74,917	27,388	39,758	142,063	158,333	84,895	27,132	46,306
Interest expense	--	134	--	134	6,532	4,285	941	1,306
Special events	--	--	364,133	364,133	344,380	--	--	344,380
Bad debt expense	7,820	--	--	7,820	26,007	26,007	--	--
Miscellaneous	518	5,176	--	5,694	6,538	168	6,370	--
	<u>\$ 3,111,197</u>	<u>\$ 607,457</u>	<u>\$ 1,384,834</u>	<u>\$ 5,103,488</u>	<u>\$ 5,269,356</u>	<u>\$ 3,360,629</u>	<u>\$ 574,481</u>	<u>\$ 1,334,246</u>

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



**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**1. Organization and Purpose**

Newark Public Radio, Inc. ("WBGO") is a publicly-supported, cultural institution that champions jazz, an American art form, and news to a worldwide audience through radio at 88.3 fm and other technologies including its website at wbgo.org. Founded in 1979, WBGO continues to grow its reach into both the Newark, NJ and jazz communities and is the only full time broadcaster of jazz in the NY/NJ metro area as well as the producer of national programming in partnership with National Public Radio ("NPR").

**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 WBGO. For the years ended September 30, 2016 and 2015 WBGO 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.

WBGO accounts for those grant and 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. Revenues received in advance of their usage are classified as grant advances payable 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, rental income, 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 and are recognized in the period when earned.

Trade revenue is recorded in the period products or services of equal value are exchanged and are valued based on the services provided by WBGO at standard rates.

Donated professional services and supplies are recorded as unrestricted revenue at the estimated fair market value in the period 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**

WBGO 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. WBGO had no unrecognized benefits at September 30, 2016 and 2015 and has incurred no interest or penalties related to income taxes for the periods presented in their financial statements.

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**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:

<b>Description</b>	<b>Estimated Life (Years)</b>
Buildings	40
Building improvements	5-40
Office equipment	3-7
Broadcast equipment	3-15

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 \$28,227 and \$11,422 in 2016 and 2015, respectively. Additionally, during the years ended September 30, 2016 and 2015 WBGO had \$150,847 and \$348,595, respectively, of advertising trade, which represented a reciprocal arrangement between WBGO 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**

WBGO 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 for impairment was required for the periods presented in these financial statements.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including underwriting receivables, pledges receivable, grants and contracts receivable, loans receivable, prepaid expenses, accounts payable and accrued expenses and severance payable 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.

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**3. Pledges Receivable**

Pledges receivable amounted to \$263,716 and \$285,521 for the years ended September 30, 2016 and 2015, respectively and consist of pledges due within one year.

**4. Grants and Contracts Receivable**

WBGO was due certain amounts at September 30, 2016 and 2015 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:

	<b>2016</b>	<b>2015</b>
New Jersey Council on the Arts	\$ 51,332	\$ 51,335
National Endowment for the Arts	--	40,000
Foundation and other receivables	<u>40,000</u>	<u>1,377</u>
	<u>\$ 91,332</u>	<u>\$ 92,712</u>

**5. Investments**

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

	<b>2016</b>		<b>2015</b>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equities	\$ 4,973	\$ 20,258	\$ 4,466	\$ 16,016
Mutual funds	16,534	25,589	16,534	22,767
Certificates of deposit	<u>1,526,087</u>	<u>1,522,111</u>	<u>1,525,261</u>	<u>1,523,075</u>
	<u>\$ 1,547,594</u>	<u>\$ 1,567,958</u>	<u>\$ 1,546,261</u>	<u>\$ 1,561,858</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, 2016 and 2015 and was comprised of the following:

	<b>2016</b>	<b>2015</b>
Interest and dividend income	\$ 12,184	\$ 9,801
Realized gains	309	526
Unrealized losses	(3,273)	(4,057)
Investment fees	<u>(150)</u>	<u>(150)</u>
	<u>\$ 9,070</u>	<u>\$ 6,120</u>

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

*Fair Value Measurements*

WBGO has provided fair value disclosure information for relevant assets and liabilities in these financial statements. For applicable assets and liabilities, WBGO 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, WBGO 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, WBGO 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 WBGO 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 WBGO'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, 2016 and 2015:

	<b>2016</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equities	\$ 20,258	\$ 20,258	\$ --	\$ --
Mutual funds	25,589	25,589	--	--
Certificates of deposit (A)	1,522,111	--	--	--
Total investments	<u>\$ 1,567,958</u>	<u>\$ 45,847</u>	<u>\$ --</u>	<u>\$ --</u>
	<b>2015</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equities	\$ 16,016	\$ 16,016	\$ --	\$ --
Mutual funds	22,767	22,767	--	--
Certificates of deposit (A)	1,523,075	--	--	--
Total investments	<u>\$ 1,561,858</u>	<u>\$ 38,783</u>	<u>\$ --</u>	<u>\$ --</u>

(A) Certificates of deposit are held at cost plus accrued interest, therefore, not included in the fair value hierarchy.

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**6. Property and Equipment**

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

	2016	2015
Land	\$ 47,855	\$ 47,855
Buildings	82,684	82,684
Building improvements	2,425,148	2,425,148
Broadcasting equipment	1,780,979	1,857,112
Office equipment	<u>503,146</u>	<u>502,308</u>
	4,839,812	4,915,107
Less: Accumulated depreciation	<u>3,331,703</u>	<u>3,273,088</u>
	<u>\$ 1,508,109</u>	<u>\$ 1,642,019</u>

Depreciation expense totaled \$142,063 and \$154,354 for the years ended September 30, 2016 and 2015, respectively.

**7. 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 WBGO 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 are secured by a mortgage on land and building. Bonds payable amounted to \$-0- and \$41,732 as of September 30, 2016 and 2015, respectively. The bonds were paid in full in fiscal year 2016 and the obligations were satisfied.

**8. Commitments**

*Severance Payable*

WBGO signed a contract in 2014 to pay severance in the amount of \$150,000 over a 3 year period. Severance payable amount to \$50,091 and \$100,091 for the years ended September 30, 2016 and 2015, respectively.

*Operating Leases - Rental Expense*

WBGO leases office equipment and antenna space under a month to month and non-cancelable operating lease arrangement with an expiration in March 2025. Additionally, WBGO leases equipment and space for events held during the year. Rental expense amounted to \$164,487 and \$170,857 for the years ended September 30, 2016 and 2015, respectively. Minimum future annual rentals to be paid under non-cancellable lease agreements for the remaining lease terms are as follows:

Year	Amount
2017	\$ 80,168
2018	79,262
2019	71,594
2020	73,026
2021	74,487
Thereafter	<u>272,432</u>
	<u>\$ 650,969</u>

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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*Operating Leases - Rental Income*

WBGO leases a portion of its radio frequency to another radio station. Rental income from this lease was \$9,000 for the year ended September 30, 2016. There was no rental income for the year ended September 30, 2015.

**9. Employee Retirement Plan**

All full time employees of WBGO 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. WBGO 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 WBGO's policy to fund contributions currently. WBGO's discretionary contribution was approximately \$47,000 and \$40,000 for the years ended September 30, 2016 and 2015, respectively.

**10. Net Assets**

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

	<b>2016</b>	<b>2015</b>
Restricted by donor for programmatic use as follows		
Jazz night in America/Jazzset	\$ 500,889	\$ 316,543
Signal Expansion Project	--	89,901
Children's jazz project	50,512	38,283
Live jazz productions	31,525	25,024
Capacity grant	16,838	7,853
Community relations	14,329	29,300
Fellowship funds	54,385	28,375
Educational programs	--	20,000
Kids jazz @ play	9,254	--
Newark 350	13,035	--
Security system	5,500	--
	<u>\$ 696,267</u>	<u>\$ 555,279</u>

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

	<b>2016</b>	<b>2015</b>
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	88,999	88,999
	<u>\$ 878,999</u>	<u>\$ 878,999</u>

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

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the years ended September 30:

	2016	2015
Jazz night in America/Jazzset	\$ 229,330	\$ 245,861
Signal Expansion Project	89,901	121,610
Children's jazz project	77,771	84,427
Live jazz productions	3,499	6,870
Capacity grant	51,015	31,647
Community relations	14,971	20,700
Fellowship funds	26,812	--
Educational programs	20,000	--
Kids jazz @ play	15,746	25,000
Newark 350	14,465	--
Security system	9,500	--
Alan Wolper Project	--	15,000
Roof replacement	--	20,000
Internship program	4,800	--
Special projects	--	12,354
	<u>\$ 557,810</u>	<u>\$ 583,469</u>

**11. Related Party Transactions**

WBGO received contributions from board members amounting to approximately \$107,000 and \$176,000 for the years ended September 30, 2016 and 2015, respectively.

**12. Concentrations**

Financial investments which potentially subjects WBGO to concentrations of credit risk consist of cash and cash equivalents, investments and receivables. In an attempt to limit the credit risk, WBGO places all funds with high quality financial institutions. At various times throughout the years, WBGO 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.

WBGO had receivables from one grantor amounting to 11 percent of total receivables for the year ended September 30, 2016. WBGO had receivables from one grantor amounting to 10.5 percent of total receivables for the year ended September 30, 2015.

**13. Endowment Funds**

WBGO's endowment consists of four individual funds established to support WBGO 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 WBGO 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, WBGO 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. Income earned on the endowment funds is unrestricted.

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 and 2015**

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**Return Objectives and Risk Parameters**

WBGO 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 WBGO must hold in perpetuity.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, WBGO 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, 2016 and 2015 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 - 10/01/14	\$ 240,000	\$ 300,000	\$ 250,000	\$ 88,999	\$ 878,999
Contributions	--	--	--	--	--
Investment income	940	1,175	980	349	3,444
Appropriated for expenditure	<u>(940)</u>	<u>(1,175)</u>	<u>(980)</u>	<u>(349)</u>	<u>(3,444)</u>
Balance - 9/30/15	240,000	300,000	250,000	88,999	878,999
Contributions	--	--	--	--	--
Investment income	1,389	1,735	1,446	515	5,085
Appropriated for expenditure	<u>(1,389)</u>	<u>(1,735)</u>	<u>(1,446)</u>	<u>(515)</u>	<u>(5,085)</u>
Balance - 9/30/16	<u>\$ 240,000</u>	<u>\$ 300,000</u>	<u>\$ 250,000</u>	<u>\$ 88,999</u>	<u>\$ 878,999</u>

**14. Subsequent Events**

WBGO has evaluated subsequent events occurring after the statement of financial position date through the date of January 6, 2017, the date the financial statements were available for release. Based upon this evaluation, WBGO 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, 2016**

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**Federal Awards**

<b>Grantor/Program Title</b>	<b>CFDA # Number</b>	<b>Award Number</b>	<b>Award Period</b>	<b>Expenditures</b>
National Endowment for the Arts	45.024	16-3400-7080	06/01/2016-05/31/2017	\$ 23,333
Total Federal awards				<u>\$ 23,333</u>

**State Financial Assistance**

<b>Grantor/Program Title</b>	<b>CFDA # Number</b>	<b>Award Number</b>	<b>Award Period</b>	<b>Expenditures 2016</b>	<b>Expenditures Life of Contract</b>	<b>Questioned Costs</b>
State of New Jersey - Department of State Pass-through New Jersey State Council on the Arts	N/A	1602X010079	07/01/15-06/30/16	\$ 154,007	\$ 205,343	\$ -- (A)
	N/A	1702X010072	07/01/16-06/30/17	51,335	--	-- (A)
Total state financial assistance				<u>\$ 205,342</u>	<u>\$ 205,343</u>	<u>\$ --</u>

(A) In connection with our audit of Newark Public Radio, Inc. for the year ended September 30, 2016, nothing came to our attention that caused us to believe that the financial information submitted by WBGO 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 the State of New Jersey Council on the Arts grant contract. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

## 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*

### Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of Newark Public Radio, Inc. ("WBGO") which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and related notes to the financial statements, and have issued our report thereon dated January 6, 2017.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WBGO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WBGO's internal control. Accordingly, we do not express an opinion on the effectiveness of WBGO's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of WBGO's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether WBGO's financial statements are free from 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*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of WBGO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WBGO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Withum Smith & Brown, PC*

January 6, 2017