



**NEWARK PUBLIC RADIO, INC.**

**Financial Statements**

**September 30, 2014 and 2013**

**With Independent Auditors' Reports**

**Newark Public Radio, Inc.**  
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**September 30, 2014 and 2013**

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of Newark Public Radio, Inc. ("WBGO"), which comprise the statements of financial position as of September 30, 2014 and 2013, 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. 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, 2014 and 2013, 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.

*WithumSmith+Brown, PC*

January 28, 2015

**Newark Public Radio, Inc.**  
**Statements of Financial Position**  
**September 30, 2014 and 2013**

	2014	2013
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,368,163	\$ 1,582,783
Investments - unrestricted	655,307	653,496
Underwriting receivables, less allowance for uncollectible accounts of \$27,625 for each of the years ended June 30, 2014 and 2013, respectively	110,823	144,944
Pledges receivable, current portion	315,098	301,507
Grants and contracts receivable	239,135	95,439
Loans receivable, current portion	1,819	10,440
Prepaid expenses	<u>14,714</u>	<u>17,857</u>
Total current assets	2,705,059	2,806,466
Property and equipment, net	1,740,713	1,872,911
Other assets		
Investments - permanently restricted	878,999	878,999
Pledges receivable, net of current portion	--	23,565
Loans receivable, net of current portion	--	2,778
Debt financing costs, net	<u>3,978</u>	<u>7,957</u>
Total other assets	<u>882,977</u>	<u>913,299</u>
	<u>\$ 5,328,749</u>	<u>\$ 5,592,676</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of bonds payable	\$ 138,731	\$ 131,434
Accounts payable and accrued expenses	63,740	130,660
Severance payable, current portion	52,504	--
Loan payable	--	1,824
Deferred revenue	<u>67,696</u>	<u>37,602</u>
Total current liabilities	322,671	301,520
Bonds payable, net of current portion	41,347	179,850
Severance payable, net of current portion	100,000	--
Deferred rent	31,774	26,869
Security deposits payable	<u>5,000</u>	<u>--</u>
Total liabilities	500,792	508,239
Net assets		
Unrestricted		
Board designated for future expansion	--	198,263
Board designated education fund	147,763	205,500
Board designated technical innovation fund	205,500	205,500
Available for general operations	<u>1,426,568</u>	<u>1,568,090</u>
	1,779,831	2,177,353
Investment in property and equipment	<u>1,564,613</u>	<u>1,567,760</u>
Total unrestricted net assets	3,344,444	3,745,113
Temporarily restricted	604,514	460,325
Permanently restricted	<u>878,999</u>	<u>878,999</u>
Total net assets	<u>4,827,957</u>	<u>5,084,437</u>
	<u>\$ 5,328,749</u>	<u>\$ 5,592,676</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, 2014 and 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 2,236,179	\$ 569,100	\$ --	\$ 2,805,279	\$ 2,348,640	\$ 413,984	\$ 22,858	\$ 2,785,482
Grants and contracts	739,483	--	--	739,483	658,641	--	--	658,641
Investment income, net	5,304	--	--	5,304	8,359	--	--	8,359
Underwriting revenue	658,705	--	--	658,705	572,540	--	--	572,540
Rental income	26,500	--	--	26,500	72,900	--	--	72,900
Special events	565,351	--	--	565,351	485,922	--	--	485,922
Loss on disposal of property	--	--	--	--	(3,737)	--	--	(3,737)
Trade revenue	397,639	--	--	397,639	796,108	--	--	796,108
In-kind contributions	127,008	--	--	127,008	91,400	--	--	91,400
Other income	8,173	--	--	8,173	44,057	--	--	44,057
	<u>4,764,342</u>	<u>569,100</u>	<u>--</u>	<u>5,333,442</u>	<u>5,074,830</u>	<u>413,984</u>	<u>22,858</u>	<u>5,511,672</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	<u>424,911</u>	<u>(424,911)</u>	<u>--</u>	<u>--</u>	<u>702,632</u>	<u>(702,632)</u>	<u>--</u>	<u>--</u>
	<u>5,189,253</u>	<u>144,189</u>	<u>--</u>	<u>5,333,442</u>	<u>5,777,462</u>	<u>(288,648)</u>	<u>22,858</u>	<u>5,511,672</u>
Expenses								
Program services	3,496,649	--	--	3,496,649	4,096,252	--	--	4,096,252
Administrative	889,319	--	--	889,319	704,991	--	--	704,991
Fundraising	<u>1,203,954</u>	<u>--</u>	<u>--</u>	<u>1,203,954</u>	<u>1,171,227</u>	<u>--</u>	<u>--</u>	<u>1,171,227</u>
	<u>5,589,922</u>	<u>--</u>	<u>--</u>	<u>5,589,922</u>	<u>5,972,470</u>	<u>--</u>	<u>--</u>	<u>5,972,470</u>
Changes in net assets	(400,669)	144,189	--	(256,480)	(195,008)	(288,648)	22,858	(460,798)
Net assets, beginning of year	<u>3,745,113</u>	<u>460,325</u>	<u>878,999</u>	<u>5,084,437</u>	<u>3,940,121</u>	<u>748,973</u>	<u>856,141</u>	<u>5,545,235</u>
Net assets, end of year	<u>\$ 3,344,444</u>	<u>\$ 604,514</u>	<u>\$ 878,999</u>	<u>\$ 4,827,957</u>	<u>\$ 3,745,113</u>	<u>\$ 460,325</u>	<u>\$ 878,999</u>	<u>\$ 5,084,437</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, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (256,480)	\$ (460,798)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation and amortization	170,231	160,863
Net realized/unrealized gains on investments	(11)	(194)
Donated investments	(1,127)	(13,217)
Loss on disposal of equipment	--	3,737
Bad debt expense	7,932	18,080
Changes in assets and liabilities		
Underwriting receivables	26,189	(10,684)
Pledges receivable	9,974	91,960
Grants receivable	(143,696)	162,729
Prepaid expenses	3,143	27,871
Accounts payable and accrued expenses	(66,920)	(10,973)
Severance payable	152,504	--
Security deposits payable	5,000	--
Deferred revenue	30,094	(73)
Deferred rent	4,905	6,176
Net cash used by operating activities	<u>(58,262)</u>	<u>(24,523)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(34,054)	(72,303)
Payments received on loan receivable	11,399	11,265
Purchase of investments	(701,098)	(702,386)
Proceeds from sale of investments	700,425	713,546
Net cash used by investing activities	<u>(23,328)</u>	<u>(49,878)</u>
<b>Cash flows from financing activities</b>		
Repayment of loan payable	(1,824)	(3,255)
Repayment of bonds payable	(131,206)	(124,030)
Net cash used by financing activities	<u>(133,030)</u>	<u>(127,285)</u>
Net change in cash and cash equivalents	(214,620)	(201,686)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>1,582,783</u>	<u>1,784,469</u>
End of year	<u>\$ 1,368,163</u>	<u>\$ 1,582,783</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 13,729</u>	<u>\$ 20,264</u>
Noncash operating activities		
Donated services	<u>\$ 127,008</u>	<u>\$ 91,400</u>

No amounts were paid for income taxes for the years ended September 30, 2014 and 2013.

**Newark Public Radio, Inc.**  
**Statements of Functional Expenses**  
**Years Ended September 30, 2014 and 2013**

	2014				2013			
	<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	\$ 1,630,811	\$ 524,809	\$ 434,137	\$ 2,589,757	\$ 2,431,829	\$ 1,593,740	\$ 430,277	\$ 407,812
Payroll taxes and fringe benefits	332,932	72,757	108,969	514,658	501,103	329,151	73,437	98,515
Artist fees	51,353	--	--	51,353	76,746	76,746	--	--
Professional services	289,398	65,077	21,718	376,193	524,595	404,306	79,124	41,165
Donated services	27,008	100,000	--	127,008	91,400	91,400	--	--
Audience research	48,650	--	--	48,650	46,020	46,020	--	--
Office expense	42,434	2,345	2,800	47,579	28,664	22,109	3,328	3,227
Broadcast supplies	16,564	--	--	16,564	23,108	23,108	--	--
Program purchases	43,861	--	--	43,861	73,664	73,664	--	--
Internet streaming	32,755	--	--	32,755	36,043	36,043	--	--
Telephone	42,839	7,425	5,579	55,843	60,910	50,773	5,300	4,837
Printing	34,861	--	--	34,861	42,335	42,335	--	--
Fundraising supplies	--	--	47,381	47,381	91,140	--	--	91,140
Premiums	8,609	--	76,842	85,451	100,542	9,988	--	90,554
Postage and shipping	18,107	2,309	58,768	79,184	75,120	19,507	1,850	53,763
Dues and subscriptions	15,735	6,194	7,055	28,984	26,588	14,945	4,086	7,557
Satellite fee	8,380	--	--	8,380	8,060	8,060	--	--
Newswire	28,199	--	--	28,199	22,641	22,641	--	--
Credit and administrative fees	1,011	1,788	50,874	53,673	61,783	2,091	1,985	57,707
Travel and entertainment	30,836	4,910	6,409	42,155	43,997	30,411	7,633	5,953
Meetings and conferences	--	667	--	667	1,177	--	1,177	--
Advertising and public relations	39,465	80	6,587	46,132	45,839	34,936	65	10,838
Advertising and public relations - trade	397,639	--	--	397,639	741,108	741,108	--	--
Staff development	1,275	590	7,834	9,699	10,298	4,492	565	5,241
Utilities	34,759	7,731	9,230	51,720	54,341	35,614	9,615	9,112
Space and equipment rental	154,121	5,554	6,630	166,305	171,707	157,684	7,200	6,823
Space and equipment rental - trade	--	--	--	--	55,000	55,000	--	--
Repairs and maintenance	20,023	28,352	--	48,375	41,378	15,384	25,994	--
Insurance	40,411	8,989	10,730	60,130	53,822	35,280	9,515	9,027
Depreciation and amortization	87,376	35,195	47,660	170,231	160,863	87,855	32,218	40,790
Interest expense	9,227	2,052	2,450	13,729	20,264	13,281	3,585	3,398
Special events	--	--	292,241	292,241	223,768	--	--	223,768
Bad debt expense	7,932	--	--	7,932	18,080	18,080	--	--
Miscellaneous	78	12,495	60	12,633	8,537	500	8,037	--
	<u>\$ 3,496,649</u>	<u>\$ 889,319</u>	<u>\$ 1,203,954</u>	<u>\$ 5,589,922</u>	<u>\$ 5,972,470</u>	<u>\$ 4,096,252</u>	<u>\$ 704,991</u>	<u>\$ 1,171,227</u>

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



**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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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, 2014 and 2013 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. 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.

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, 2014 and 2013 and has incurred no interest or penalties related to income taxes for the periods presented in their financial statements. Additionally, WBGO has no open tax years subject to examination prior to September 30, 2011.

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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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 \$46,132 and \$45,839 in 2014 and 2013, respectively. Additionally, during the years ended September 30, 2014 and 2013 WBGO had \$397,639 and \$741,108, 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**

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal 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, 2014 and 2013**

**3. Pledges Receivable**

Pledges receivable are as follows at September 30:

	<b>2014</b>	<b>2013</b>
Less than 1 year	\$ 315,098	\$ 301,507
1-5 years	<u>          --</u>	<u>          25,000</u>
	315,098	326,507
Less: Discounts to net present value at 3 percent	<u>          --</u>	<u>          1,435</u>
	<u><u>\$ 315,098</u></u>	<u><u>\$ 325,072</u></u>

**4. Grants and Contracts Receivable**

WBGO was due certain amounts at September 30, 2014 and 2013 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>2014</b>	<b>2013</b>
New Jersey Council on the Arts	\$ 51,335	\$ 81,794
National Public Radio	--	2,743
National Endowment for the Arts	22,800	8,044
New Jersey Cultural Trust	--	2,858
Foundation grants	<u>165,000</u>	<u>          --</u>
	<u><u>\$ 239,135</u></u>	<u><u>\$ 95,439</u></u>

**5. Investments**

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

	<b>2014</b>		<b>2013</b>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Blue-chip equities	\$ 3,794	\$ 13,386	\$ 5,362	\$ 12,211
Certificates of deposit	<u>1,523,955</u>	<u>1,520,920</u>	<u>1,522,822</u>	<u>1,520,284</u>
	<u><u>\$ 1,527,749</u></u>	<u><u>\$ 1,534,306</u></u>	<u><u>\$ 1,528,184</u></u>	<u><u>\$ 1,532,495</u></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, 2014 and 2013 and was comprised of the following:

	<b>2014</b>	<b>2013</b>
Interest and dividend income	\$ 5,443	\$ 8,315
Realized gain (loss)	318	(56)
Unrealized (loss) gain	(307)	250
Investment fees	<u>(150)</u>	<u>(150)</u>
	<u><u>\$ 5,304</u></u>	<u><u>\$ 8,359</u></u>

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
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**6. Property and Equipment**

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

	2014	2013
Land	\$ 47,855	\$ 47,855
Buildings	82,684	82,684
Building improvements	2,369,487	2,342,224
Boardcasting equipment	1,865,789	1,858,998
Office equipment	<u>516,544</u>	<u>516,544</u>
	4,882,359	4,848,305
Less: Accumulated depreciation	<u>3,141,646</u>	<u>2,975,394</u>
	<u>\$ 1,740,713</u>	<u>\$ 1,872,911</u>

Depreciation expense totaled \$166,252 and \$156,884 for the years ended September 30, 2014 and 2013, respectively.

**7. Recurring 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, 2014 and 2013:

	2014			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Blue-chip equities	\$ 13,386	\$ 13,386	\$ --	\$ --
Certificates of deposit	<u>1,520,920</u>	<u>--</u>	<u>1,520,920</u>	<u>--</u>
Total investments	<u>\$ 1,534,306</u>	<u>\$ 13,386</u>	<u>\$ 1,520,920</u>	<u>\$ --</u>

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

	2013			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Blue-chip equities	\$ 12,211	\$ 12,211	\$ --	\$ --
Certificates of deposit	1,520,284	--	1,520,284	--
Total investments	<u>\$ 1,532,495</u>	<u>\$ 12,211</u>	<u>\$ 1,520,284</u>	<u>\$ --</u>

**8. Deferred Financing Costs**

WBGO 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. Bond financing costs shown net of accumulated amortization were \$3,978 and \$7,957 at September 30, 2014 and 2013, respectively. Amortization expense amounted to \$3,979 for each of the years ended September 30, 2014 and 2013. The subsequent year amortization of the deferred financing costs is \$3,978 in 2015.

**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 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 mature in January 2016 and are secured by a mortgage on land and building. Bonds payable amounted to \$180,078 and \$311,284 as of September 30, 2014 and 2013, respectively.

Scheduled principal repayments of the bonds are as follows:

Years Ending September 30,	Amount
2015	\$ 138,731
2016	<u>41,347</u>
	180,078
Less: Current portion of bonds payable	<u>138,731</u>
Bonds payable, net of current portion	<u>\$ 41,347</u>

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**10. Commitments**

*Operating Leases - Rental Income*

WBGO leased a portion of its radio frequency to two other radio stations under long-term lease contracts. Rental income from these leases was \$26,500 and \$72,900 for the years ended September 30, 2014 and 2013, respectively. Minimum future annual rentals to be received under non-cancellable lease agreements for the remaining lease terms are as follows:

<b>Year</b>	<b>Amount</b>
2015	\$ 60,000
2016	60,000
2017	60,000
2018	60,000
2019	33,000
Thereafter	--
	<u>\$ 273,000</u>

*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 \$166,305 and \$171,707 for the years ended September 30, 2014 and 2013, respectively. Minimum future annual rentals to be paid under non-cancellable lease agreements for the remaining lease terms are as follows:

<b>Year</b>	<b>Amount</b>
2015	\$ 102,598
2016	103,921
2017	80,168
2018	79,262
2019	71,594
Thereafter	419,945
	<u>\$ 857,488</u>

*Severance Payable*

WBGO signed a contract to pay severance in the amount of \$150,000 over a 3 year period with \$50,000 being due and payable in each of the years ended September 30, 2015, 2016 and 2017.

**11. 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 \$44,000 and \$51,000 for the years ended September 30, 2014 and 2013, respectively.

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**12. Net Assets**

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

	<b>2014</b>	<b>2013</b>
Temporarily restricted -		
Restricted by donor for programmatic use as follows		
Signal Expansion Project	\$ 211,511	\$ 386,901
Jazz night in America/Jazzset	285,545	10,594
Children's music project	33,710	40,603
Live jazz productions	21,894	19,919
Communications/marketing	39,500	--
Special projects	12,354	2,308
	<u>\$ 604,514</u>	<u>\$ 460,325</u>

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

	<b>2014</b>	<b>2013</b>
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	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.

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:

	<b>2014</b>	<b>2013</b>
Jazz night in America/Jazzset	\$ 102,649	\$ 237,871
Children's Jazz Series	91,893	69,567
Alan Wolper Project	12,500	13,104
Computers	--	15,000
Jazzset New Year's Eve	4,000	12,502
Signal Expansion Project	175,390	286,166
Musical Instrument	--	6,275
CPB Web stream	--	8,401
Live jazz productions	8,025	36,054
Communications/marketing	10,500	--
Special projects	19,954	17,692
	<u>\$ 424,911</u>	<u>\$ 702,632</u>

**13. Concentrations of Credit Risk**

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.

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**14. 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.

**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, 2014 and 2013 are as follows:

	<b>National Endowment for the Arts</b>	<b>Jazznet Endowment</b>	<b>Prudential Endowment</b>	<b>NJ Cultural Trust</b>	<b>Total</b>
Balance - 10/01/12	\$ 240,000	\$ 300,000	\$ 250,000	\$ 66,141	\$ 856,141
Contributions	--	--	--	22,858	22,858
Balance - 9/30/13	240,000	300,000	250,000	88,999	878,999
Contributions	--	--	--	--	--
Balance - 9/30/14	<u>\$ 240,000</u>	<u>\$ 300,000</u>	<u>\$ 250,000</u>	<u>\$ 88,999</u>	<u>\$ 878,999</u>

**15. Subsequent Events**

WBGO has evaluated subsequent events occurring after the statement of financial position date through the date of January 28, 2015, 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.