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NEWARK PUBLIC RADIO, INC.

Financial Statements

September 30, 2007 and 2006

With Independent Auditors' Reports

Newark Public Radio, Inc.
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September 30, 2007 and 2006

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WithSmith+Brown
A Professional Corporation
Certified Public Accountants and Consultants

One Spring Street
New Brunswick, New Jersey 08901 USA
732 828 1614 . fax 732.828.5156
www.withum.com

Additional Offices in New Jersey,
New York and Pennsylvania

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Newark Public Radio, Inc. as of September 30, 2007 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 audit. The financial statements as of September 30, 2006, were audited by M.D. Oppenheim & Company, P.C., who merged with us as of May 1, 2007, and whose report dated December 18, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of Newark Public Radio, Inc. as of September 30, 2007 and its changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

February 7, 2008

Newark Public Radio, Inc.
Statements of Financial Position
September 30, 2007 and 2006

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 2,269,477	\$ 1,608,990
Investments	1,009,999	1,433,280
Underwriting receivables, less allowance for uncollectible accounts of \$80,000 and \$76,000 in 2007 and 2006, respectively	180,963	234,444
Pledges receivable	138,773	173,530
Grants receivable	144,279	129,456
Prepaid expenses	35,389	62,854
Total current assets	<u>3,778,880</u>	<u>3,642,554</u>
Property and equipment, net	1,788,207	1,882,893
Other assets		
Investments	790,000	790,000
Debt financing costs, net	31,828	35,807
	<u>\$ 6,388,915</u>	<u>\$ 6,351,254</u>
Liabilities and Net Assets		
Current liabilities		
Bonds payable	\$ 96,216	\$ 91,705
Accounts payable and accrued expenses	88,998	100,559
Deferred revenue	13,890	144,943
Total current liabilities	<u>199,104</u>	<u>337,207</u>
Bonds payable, net of current portion	871,434	966,460
Security deposits payable	--	4,300
Total liabilities	<u>1,070,538</u>	<u>1,307,967</u>
Net assets		
Unrestricted		
Board designated for future expansion	400,000	400,000
Board designated education fund	205,500	205,500
Board designated technical innovation fund	205,500	205,500
Available for general operations	<u>2,690,532</u>	<u>2,439,346</u>
	3,501,532	3,250,346
Investment in property and equipment	852,385	860,535
Total unrestricted net assets	<u>4,353,917</u>	<u>4,110,881</u>
Temporarily restricted	174,460	142,406
Permanently restricted	790,000	790,000
Total net assets	<u>5,318,377</u>	<u>5,043,287</u>
	<u>\$ 6,388,915</u>	<u>\$ 6,351,254</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, 2007 and 2006

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 2,554,136	\$ 505,853	\$ --	\$ 3,059,989	\$ 2,628,195	\$ 378,191	\$ --	\$ 3,006,386
Grants and contracts	588,351	--	--	588,351	626,128	--	--	626,128
Investment income	238,676	--	--	238,676	175,383	--	--	175,383
Underwriting revenue	605,008	--	--	605,008	744,380	--	--	744,380
Rental income	148,808	--	--	148,808	156,252	--	--	156,252
Special events	277,785	--	--	277,785	276,621	--	--	276,621
Gain on sale of property	21,000	--	--	21,000	--	--	--	--
Other income	43,023	--	--	43,023	33,630	--	--	33,630
	<u>4,476,787</u>	<u>505,853</u>	<u>--</u>	<u>4,982,640</u>	<u>4,640,589</u>	<u>378,191</u>	<u>--</u>	<u>5,018,780</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	473,799	(473,799)	--	--	559,421	(559,421)	--	--
	<u>4,950,586</u>	<u>32,054</u>	<u>--</u>	<u>4,982,640</u>	<u>5,200,010</u>	<u>(181,230)</u>	<u>--</u>	<u>5,018,780</u>
Expenses								
Program services	3,208,745	--	--	3,208,745	3,228,023	--	--	3,228,023
Administrative	692,588	--	--	692,588	668,842	--	--	668,842
Fundraising	806,217	--	--	806,217	863,076	--	--	863,076
	<u>4,707,550</u>	<u>--</u>	<u>--</u>	<u>4,707,550</u>	<u>4,759,941</u>	<u>--</u>	<u>--</u>	<u>4,759,941</u>
Changes in net assets	243,036	32,054	--	275,090	440,069	(181,230)	--	258,839
Net assets, beginning of year	<u>4,110,881</u>	<u>142,406</u>	<u>790,000</u>	<u>5,043,287</u>	<u>3,670,812</u>	<u>323,636</u>	<u>790,000</u>	<u>4,784,448</u>
Net assets, end of year	<u>\$ 4,353,917</u>	<u>\$ 174,460</u>	<u>\$ 790,000</u>	<u>\$ 5,318,377</u>	<u>\$ 4,110,881</u>	<u>\$ 142,406</u>	<u>\$ 790,000</u>	<u>\$ 5,043,287</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, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Changes in net assets	\$ 275,090	\$ 258,839
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	107,792	129,746
Loss on disposal of equipment	--	1,563
Net realized/unrealized gains on investments	(82,512)	(33,648)
Bad debt expense	4,000	41,000
Changes in assets and liabilities		
Underwriting receivables	49,481	(12,686)
Pledges receivable	34,757	26,354
Grants receivable	(14,823)	24,975
Prepaid expenses	27,465	127
Accounts payable and accrued expenses	(11,561)	(41,340)
Deferred revenue	(131,053)	45,883
Security deposit payable	(4,300)	--
Net cash provided by operating activities	<u>254,336</u>	<u>440,813</u>
Cash flows from investing activities		
Property and equipment additions	(9,129)	(65,897)
Purchase of investments	(336,551)	(318,277)
Proceeds from sale of investments	<u>842,346</u>	<u>310,769</u>
Net cash provided (used) by investing activities	496,666	(73,405)
Cash flows from financing activities		
Reduction of bond payable	<u>(90,515)</u>	<u>(85,855)</u>
Net cash used by financing activities	<u>(90,515)</u>	<u>(85,855)</u>
Net increase in cash and cash equivalents	660,487	281,553
Cash and cash equivalents		
Beginning of year	<u>1,608,990</u>	<u>1,327,437</u>
End of year	<u>\$ 2,269,477</u>	<u>\$ 1,608,990</u>
Supplemental disclosure		
Interest paid	<u>\$ 54,185</u>	<u>\$ 58,843</u>

No amounts were paid for income taxes for the years ended September 30, 2007 and 2006.

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

Newark Public Radio, Inc.
Statements of Functional Expenses
Years Ended September 30, 2007 and 2006

	2007				2006				
	Program Services		Supporting Services		Program Services		Supporting Services		
	Station		Administrative	Fundraising	Total	Station		Administrative	Fundraising
	Operations					Total	Operations		
Salaries	\$ 1,573,523	\$ 422,363	\$ 250,556	\$ 2,246,442	\$ 2,143,203	\$ 1,536,127	\$ 343,759	\$ 263,317	
Payroll taxes and fringe benefits	284,223	60,934	59,003	404,160	392,618	268,966	68,452	55,200	
Artist fees	89,143	--	--	89,143	95,332	95,332	--	--	
Professional services	252,751	37,195	80,632	370,578	341,437	225,907	40,188	75,342	
Audience research	42,214	--	--	42,214	57,701	57,701	--	--	
Office expense	46,517	12,737	1,830	61,084	55,058	42,906	9,464	2,688	
Broadcast supplies	36,128	--	--	36,128	42,124	42,124	--	--	
Program purchases	53,012	--	--	53,012	51,478	51,478	--	--	
Telephone	48,408	11,432	7,330	67,170	61,436	45,440	8,578	7,418	
Printing	56,122	--	--	56,122	78,551	78,551	--	--	
Fundraising supplies	--	--	31,909	31,909	41,645	--	--	41,645	
Premiums	8,235	--	84,264	92,499	107,184	19,302	--	87,882	
Postage and shipping	33,520	3,124	50,716	87,360	138,841	45,380	4,127	89,334	
Dues and subscriptions	12,519	6,708	17,729	36,956	22,664	9,558	6,433	6,673	
Satellite fee	6,900	--	--	6,900	6,600	6,600	--	--	
Newswire	22,126	--	--	22,126	21,888	21,888	--	--	
Credit and administrative fees	106	10,832	38,569	49,507	44,977	756	9,279	34,942	
Travel and entertainment	40,130	7,104	9,517	56,751	70,409	50,071	7,290	13,048	
Meetings and conferences	--	828	--	828	1,118	400	718	--	
Advertising and public relations	265,746	425	29,378	295,549	299,186	264,648	4,224	30,314	
Staff development	105	1,028	1,228	2,361	7,893	3,719	590	3,584	
Utilities	34,611	8,772	5,360	48,743	47,070	33,891	7,060	6,119	
Space and equipment rental	148,617	4,599	2,810	156,026	164,492	156,304	4,385	3,803	
Repairs and maintenance	16,567	25,431	--	41,998	54,829	22,459	32,370	--	
Insurance	27,432	6,952	4,248	38,632	41,175	29,647	6,175	5,353	
Depreciation and amortization	67,420	20,239	20,133	107,792	129,746	71,528	24,287	33,931	
Interest expense	38,475	9,752	5,958	54,185	58,843	42,367	8,826	7,650	
Special events	--	--	105,047	105,047	93,968	--	--	93,968	
Bad debt expense	--	36,924	--	36,924	75,887	--	75,887	--	
Loss on disposal of assets	--	--	--	--	1,563	--	1,563	--	
Miscellaneous	4,195	5,209	--	9,404	11,025	4,973	5,187	865	
	<u>\$ 3,208,745</u>	<u>\$ 692,588</u>	<u>\$ 806,217</u>	<u>\$ 4,707,550</u>	<u>\$ 4,759,941</u>	<u>\$ 3,228,023</u>	<u>\$ 668,842</u>	<u>\$ 863,076</u>	

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

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2007 and 2006

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 contributions 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, 2007 and 2006 the Station had accounting transactions in all three net asset categories.

Revenue and Support Recognition

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

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

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

Investments

Investments, primarily consisting of certificates of deposit, mutual funds, and equity securities, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

Income Taxes

The Station is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect provisions for Federal income taxes.

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 which range from five to thirty five years, using the straight-line method.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2007 and 2006

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

Description	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 \$295,549 and \$299,186 in 2007 and 2006, respectively.

Cash and Cash Equivalents

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

3. Grants and Pledges Receivable

The Station was due certain amounts at September 30, 2007 and 2006 from funding sources which resulted from expenditures incurred in excess of payments received or from donors' notifications of intent to give as follows:

Grants receivable	2007	2006
New Jersey State Council on the Arts	\$ 124,279	\$ 124,456
National Endowment for the Arts	<u>20,000</u>	<u>5,000</u>
	<u>\$ 144,279</u>	<u>\$ 129,456</u>

Pledges receivable amounted to \$138,773 and \$173,530 at September 30, 2007 and 2006 respectively, all of which are expected to be collected in the subsequent fiscal year.

4. Investments

The following summarizes the relationship between the market value and cost of investments at September 30, 2007

	2007		2006	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks	\$ 2,705	\$ 5,944	\$ 2,106	\$ 4,144
Certificates of deposit	386,000	384,456	966,000	956,380
Mutual funds	<u>1,333,096</u>	<u>1,409,599</u>	<u>1,248,517</u>	<u>1,262,756</u>
	<u>\$ 1,721,801</u>	<u>\$ 1,799,999</u>	<u>\$ 2,216,623</u>	<u>\$ 2,223,280</u>

The annual return on investments inclusive of unrealized gains of \$71,540 and \$29,994, based on market value, was approximately 11.96 percent and 6.74 percent for the years ended September 30, 2007 and 2006, respectively.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2007 and 2006

Investment income (loss) 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, 2007 and 2006 and was comprised of the following:

	2007	2006
Dividend income	\$ 169,073	\$ 141,735
Realized gain	10,972	3,654
Unrealized gain	71,540	29,994
Investment fees	(9,005)	(7,800)
	<u>\$ 242,580</u>	<u>\$ 167,583</u>

5. Property and Equipment:

Property and equipment at September 30, 2007 consisted of the following:

	2007	2006
Land	\$ 47,855	\$ 47,855
Buildings	82,684	82,684
Building improvements	2,239,375	2,236,375
Broadcasting equipment	1,283,571	1,280,571
Office equipment	<u>513,668</u>	<u>510,539</u>
	4,167,153	4,158,024
Less: Accumulated depreciation	<u>2,378,946</u>	<u>2,275,131</u>
	<u>\$ 1,788,207</u>	<u>\$ 1,882,893</u>

Depreciation expense totaled \$103,813 and \$125,767 for the years ended September 30, 2007 and 2006, respectively.

6. 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 of \$27,850 and \$23,871 were \$31,828 and \$35,807 at September 30, 2007 and 2006, respectively.

7. Operating Leases

The Station leases a portion of its radio frequency to two other radio stations under two noncancelable leases that expire in November 2008 and September 2006. Rental income from these leases was \$148,808 and \$156,252 for the years ended September 30, 2007 and 2006, respectively. Minimum future annual rentals under these agreements are as follows:

Years Ending September 30,

2008	\$ 93,994
2009	15,742

The Station leases office equipment and transportation equipment under various non-cancelable operating leases expiring through 2010. Rental expenses related to these leases amounted to \$19,783 and \$21,168 for the years ended September 30, 2007 and 2006, respectively. Minimum future annual rentals for the remaining lease terms are as follows:

Years Ending September 30,

2008	\$ 20,868
2009	17,868
2010	8,934

Newark Public Radio, Inc.
Notes to Financial Statements
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8. Bonds Payable

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

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

Scheduled principal repayments of the bonds are as follows:

Years Ending September 30,

2008	\$ 96,216
2009	101,390
2010	106,843
2011	112,590
2012	118,645
Thereafter	431,966

9. Employee Retirement Plan

All full time employees of the Station who have completed minimum service requirements are eligible to participate in Newark Public Radio, Inc.'s Retirement Plan (the "Plan"), a defined contribution plan. Participants in the Plan may contribute a percentage of their compensation up to the maximum allowed by I.R.S. regulations. The Station makes discretionary contributions to each participant's account of up to 4 percent of the participant's compensation. Participants become vested immediately upon entry into the plan. It is the Station's policy to fund contributions currently. The Station's discretionary contribution was approximately \$42,800 and \$46,400 for the years ended September 30, 2007 and 2006, respectively.

10. Net Assets

Components of temporarily and permanently restricted net assets at September 30, 2007 were as follows:

	2007	2006
Temporarily restricted –		
Restricted by donor for programmatic use as follows		
IBOC Project	\$ --	\$ 14,465
CPB Web Project	--	1,450
Children's Jazz Series	--	6,021
Jazzset	28,382	8,765
Internship Program	3,938	3,938
Jazz Masters Touring	--	4,568
Jazzset CD Project	19,047	18,877
NPR Digital Music Project	10,000	--
Digitization Project	100,000	--
Business Plan Project	10,000	--
Children Initiative Grant	--	79,197
N.J. Dept. of the Treasury	--	295
Special Projects	3,093	4,830
	<u>\$ 174,460</u>	<u>\$ 142,406</u>
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
	<u>\$ 790,000</u>	<u>\$ 790,000</u>

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2007 and 2006

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:

	2007	2006
IBOC Project	\$ 14,465	\$ 16,110
CPB Web Project	6,450	7,800
Children's Jazz Series	21,021	30,009
Jazzset	253,203	272,901
Tape Archive Project	--	11,286
Internship Program	--	4,642
Jazz Masters Touring	4,568	10,982
Jazzset CD Project	976	--
Oris Concerts	42,340	40,825
Jazzset New Year's Eve	12,406	30,000
Heart of Brooklyn Event	18,041	--
Jazzmatazz	1,000	5,000
Member's Party	--	8,040
Crush Wines Underwriting Event	5,000	--
Jazzset Calendar	5,100	6,900
Children Initiative Grant	79,197	2,500
N.J. Dept. of the Treasury	295	109,756
Special Projects	9,737	2,670
	<u>\$ 473,799</u>	<u>\$ 559,421</u>

11. 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.