



**NEWARK PUBLIC RADIO, INC.**

**Financial Statements**

**September 30, 2008 and 2007**

**With Independent Auditors' Reports**

**Newark Public Radio, Inc.**  
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**September 30, 2008 and 2007**

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## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Newark Public Radio, Inc. as of September 30, 2008 and 2007 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Newark Public Radio, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newark Public Radio, Inc. as of September 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 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.

December 1, 2008

**Newark Public Radio, Inc.**  
**Statements of Financial Position**  
**September 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,804,299	\$ 2,269,477
Investments	1,471,811	1,009,999
Underwriting receivables, less allowance for uncollectible accounts of \$34,500 and \$80,000 in 2008 and 2007, respectively	188,577	180,963
Pledges receivable	245,381	138,773
Grants receivable	142,349	144,279
Prepaid expenses	60,524	35,389
Total current assets	<u>3,912,941</u>	<u>3,778,880</u>
Property and equipment, net	1,723,287	1,788,207
Other assets		
Investments	790,000	790,000
Debt financing costs, net	<u>27,850</u>	<u>31,828</u>
	<u>\$ 6,454,078</u>	<u>\$ 6,388,915</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Bonds payable	\$ 101,390	\$ 96,216
Accounts payable and accrued expenses	157,328	88,998
Deferred revenue	237,227	13,890
Total current liabilities	<u>495,945</u>	<u>199,104</u>
Bonds payable, net of current portion	770,931	871,434
Security deposits payable	<u>1,500</u>	<u>--</u>
Total liabilities	<u>1,268,376</u>	<u>1,070,538</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>2,572,510</u>	<u>2,690,532</u>
	3,383,510	3,501,532
Investment in property and equipment	<u>878,816</u>	<u>852,385</u>
Total unrestricted net assets	<u>4,262,326</u>	<u>4,353,917</u>
Temporarily restricted	133,376	174,460
Permanently restricted	<u>790,000</u>	<u>790,000</u>
Total net assets	<u>5,185,702</u>	<u>5,318,377</u>
	<u>\$ 6,454,078</u>	<u>\$ 6,388,915</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, 2008 and 2007**

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 2,691,350	\$ 448,973	\$ --	\$ 3,140,323	\$ 2,554,136	\$ 505,853	\$ --	\$ 3,059,989
Grants and contracts	481,989	--	--	481,989	588,351	--	--	588,351
Investment income (loss)	(30,557)	--	--	(30,557)	238,676	--	--	238,676
Underwriting revenue	524,577	--	--	524,577	605,008	--	--	605,008
Rental income	132,260	--	--	132,260	148,808	--	--	148,808
Special events	380,185	--	--	380,185	277,785	--	--	277,785
Gain on sale of property	--	--	--	--	21,000	--	--	21,000
Bad debt recovery	59	--	--	59	--	--	--	--
In-kind contributions	70,650	--	--	70,650	--	--	--	--
Other income	46,169	--	--	46,169	43,023	--	--	43,023
	<u>4,296,682</u>	<u>448,973</u>	<u>--</u>	<u>4,745,655</u>	<u>4,476,787</u>	<u>505,853</u>	<u>--</u>	<u>4,982,640</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	490,057	(490,057)	--	--	473,799	(473,799)	--	--
	<u>4,786,739</u>	<u>(41,084)</u>	<u>--</u>	<u>4,745,655</u>	<u>4,950,586</u>	<u>32,054</u>	<u>--</u>	<u>4,982,640</u>
Expenses								
Program services	3,253,276	--	--	3,253,276	3,208,745	--	--	3,208,745
Administrative	691,015	--	--	691,015	692,588	--	--	692,588
Fundraising	934,039	--	--	934,039	806,217	--	--	806,217
	<u>4,878,330</u>	<u>--</u>	<u>--</u>	<u>4,878,330</u>	<u>4,707,550</u>	<u>--</u>	<u>--</u>	<u>4,707,550</u>
Changes in net assets	(91,591)	(41,084)	--	(132,675)	243,036	32,054	--	275,090
Net assets, beginning 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>
Net assets, end of year	<u>\$ 4,262,326</u>	<u>\$ 133,376</u>	<u>\$ 790,000</u>	<u>\$ 5,185,702</u>	<u>\$ 4,353,917</u>	<u>\$ 174,460</u>	<u>\$ 790,000</u>	<u>\$ 5,318,377</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, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (132,675)	\$ 275,090
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	117,154	107,792
Net realized/unrealized (gains) losses on investments	189,434	(82,512)
Bad debt expense (recovery)	(59)	36,924
Changes in assets and liabilities		
Underwriting receivables	(7,556)	16,557
Pledges receivable	(106,608)	34,757
Grants receivable	1,930	(14,823)
Prepaid expenses	(25,135)	27,465
Accounts payable and accrued expenses	68,330	(11,561)
Deferred revenue	223,337	(131,053)
Security deposit payable	1,500	(4,300)
Net cash provided by operating activities	<u>329,652</u>	<u>254,336</u>
<b>Cash flows from investing activities</b>		
Property and equipment additions	(48,255)	(9,129)
Purchase of investments	(800,500)	(336,551)
Proceeds from sale of investments	<u>149,254</u>	<u>842,346</u>
Net cash (used) provided by investing activities	(699,501)	496,666
<b>Cash flows from financing activities</b>		
Repayments of bonds payable	<u>(95,329)</u>	<u>(90,515)</u>
Net cash used by financing activities	<u>(95,329)</u>	<u>(90,515)</u>
Net (decrease) increase in cash and cash equivalents	(465,178)	660,487
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,269,477</u>	<u>1,608,990</u>
End of year	<u>\$ 1,804,299</u>	<u>\$ 2,269,477</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 49,369</u>	<u>\$ 54,185</u>
Noncash investing and financing activities		
Donated equipment and services	<u>\$ 70,650</u>	<u>\$ --</u>

No amounts were paid for income taxes for the years ended September 30, 2008 and 2007.

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

**Newark Public Radio, Inc.**  
**Statements of Functional Expenses**  
**Years Ended September 30, 2008 and 2007**

	2008				2007			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Station Operations	Administrative	Fundraising		Station Operations	Administrative	Fundraising	
Salaries	\$ 1,502,355	\$ 436,884	\$ 274,155	\$ 2,213,394	\$ 2,246,442	\$ 1,573,523	\$ 422,363	\$ 250,556
Payroll taxes and fringe benefits	278,991	65,532	74,021	418,544	404,160	284,223	60,934	59,003
Artist fees	80,161	--	--	80,161	89,143	89,143	--	--
Professional services	294,010	44,079	26,435	364,524	370,578	252,751	37,195	80,632
Audience research	18,275	--	--	18,275	42,214	42,214	--	--
Office expense	48,867	6,899	2,085	57,851	61,084	46,517	12,737	1,830
Broadcast supplies	16,549	--	--	16,549	36,128	36,128	--	--
Program purchases	51,420	--	--	51,420	53,012	53,012	--	--
Telephone	40,725	10,192	6,959	57,876	67,170	48,408	11,432	7,330
Printing	69,772	--	--	69,772	56,122	56,122	--	--
Fundraising supplies	--	--	60,021	60,021	31,909	--	--	31,909
Premiums	2,973	--	122,409	125,382	92,499	8,235	--	84,264
Postage and shipping	42,616	4,713	67,721	115,050	87,360	33,520	3,124	50,716
Dues and subscriptions	16,402	7,021	15,191	38,614	36,956	12,519	6,708	17,729
Satellite fee	6,900	--	--	6,900	6,900	6,900	--	--
Newswire	22,283	--	--	22,283	22,126	22,126	--	--
Credit and administrative fees	(19)	13,051	39,301	52,333	49,507	106	10,832	38,569
Travel and entertainment	56,056	9,451	9,796	75,303	56,751	40,130	7,104	9,517
Meetings and conferences	1,669	1,658	--	3,327	828	--	828	--
Advertising and public relations	28,008	1,064	56,089	85,161	64,156	34,353	425	29,378
Advertising and public relations - trade	318,745	--	--	318,745	231,393	231,393	--	--
Staff development	1,214	603	7,071	8,888	2,361	105	1,028	1,228
Utilities	34,658	9,596	6,256	50,510	48,743	34,611	8,772	5,360
Space and equipment rental	153,672	4,215	3,562	161,449	132,026	124,617	4,599	2,810
Space and equipment rental - trade	20,050	--	--	20,050	24,000	24,000	--	--
Repairs and maintenance	17,460	27,958	--	45,418	41,998	16,567	25,431	--
Insurance	27,523	7,620	4,968	40,111	38,632	27,432	6,952	4,248
Depreciation and amortization	66,773	26,614	23,767	117,154	107,792	67,420	20,239	20,133
Interest expense	33,875	9,379	6,115	49,369	54,185	38,475	9,752	5,958
Special events	--	--	128,117	128,117	105,047	--	--	105,047
Bad debt expense	--	--	--	--	36,924	--	36,924	--
Miscellaneous	1,293	4,486	--	5,779	9,404	4,195	5,209	--
	<u>\$ 3,253,276</u>	<u>\$ 691,015</u>	<u>\$ 934,039</u>	<u>\$ 4,878,330</u>	<u>\$ 4,707,550</u>	<u>\$ 3,208,745</u>	<u>\$ 692,588</u>	<u>\$ 806,217</u>

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

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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**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](http://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, 2008 and 2007 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**  
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The principal rates for computing depreciation by major asset categories are as follows:

<b>Description</b>	<b>Years</b>
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 \$85,161 and \$64,156 in 2008 and 2007, 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, 2008 and 2007 from funding sources which resulted from expenditures incurred in excess of payments received or from donors' notifications of intent to give as follows:

<b>Grants Receivable</b>	<b>2008</b>	<b>2007</b>
New Jersey State Council on the Arts	\$ 122,349	\$ 124,279
National Endowment for the Arts	<u>20,000</u>	<u>20,000</u>
	<u>\$ 142,349</u>	<u>\$ 144,279</u>

Pledges receivable amounted to \$245,381 and \$138,773 at September 30, 2008 and 2007, 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:

	<b>2008</b>		<b>2007</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
Stocks	\$ 1,579	\$ 5,136	\$ 2,705	\$ 5,944
Certificates of deposit	989,105	989,709	386,000	384,456
Mutual funds	<u>1,382,098</u>	<u>1,266,966</u>	<u>1,333,096</u>	<u>1,409,599</u>
	<u>\$ 2,372,782</u>	<u>\$ 2,261,811</u>	<u>\$ 1,721,801</u>	<u>\$ 1,799,999</u>

The annual return on investments inclusive of unrealized gains (losses) of \$(189,568) and \$71,540, based on market value, was approximately (1.50) percent and 11.96 percent for the years ended September 30, 2008 and 2007, respectively.

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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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, 2008 and 2007 and was comprised of the following:

	<b>2008</b>	<b>2007</b>
Dividend income	\$ 158,877	\$ 156,164
Realized gain	134	10,972
Unrealized gain (loss)	(189,568)	71,540
Investment fees	(11,860)	(9,005)
	<u>\$ (42,417)</u>	<u>\$ 229,671</u>

**5. Property and Equipment**

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

	<b>2008</b>	<b>2007</b>
Land	\$ 47,855	\$ 47,855
Buildings	82,684	82,684
Building improvements	2,242,475	2,239,375
Broadcasting equipment	1,296,071	1,283,571
Office equipment	<u>546,323</u>	<u>513,668</u>
	4,215,408	4,167,153
Less: Accumulated depreciation	<u>2,492,121</u>	<u>2,378,946</u>
	<u>\$ 1,723,287</u>	<u>\$ 1,788,207</u>

Depreciation expense totaled \$113,175 and \$103,813 for the years ended September 30, 2008 and 2007, 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 \$3,979 for each of the years ended September 30, 2008 and 2007 were \$27,850 and \$31,828 at September 30, 2008 and 2007, respectively. The subsequent five year amortization of the deferred financing costs are as follows:

**Years Ending September 30,**

2009	\$ 3,979
2010	3,979
2011	3,979
2012	3,979
2013	3,979

**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 January 2010. Rental income from these leases was \$132,260 and \$148,808 for the years ended September 30, 2008 and 2007, respectively. Minimum future annual rentals under these agreements are as follows:

**Years Ending September 30,**

2009	\$ 83,942
2010	23,100

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
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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 \$19,979 and \$19,783 for the years ended September 30, 2008 and 2007, respectively. Minimum future annual rentals for the remaining lease terms are as follows:

<b>Years Ending September 30,</b>	<b>Amount</b>
2009	\$ 19,968
2010	8,934

**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:

<b>Years Ending September 30,</b>	<b>Amount</b>
2009	\$ 101,390
2010	106,843
2011	112,590
2012	118,645
2013	125,025
Thereafter	307,828

**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 \$42,600 and \$42,800 for the years ended September 30, 2008 and 2007, respectively.

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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**10. Net Assets**

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

	<b>2008</b>	<b>2007</b>
Temporarily restricted –		
Restricted by donor for programmatic use as follows		
Jazz set	\$ --	\$ 28,382
Internship Program	3,938	3,938
Jazzset CD Project	19,438	19,047
NPR Digital Music Project	--	10,000
Digitization Project	100,000	100,000
Business Plan Project	10,000	10,000
Special Projects	--	3,093
	<u>\$ 133,376</u>	<u>\$ 174,460</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	<u>250,000</u>	<u>250,000</u>
	<u>\$ 790,000</u>	<u>\$ 790,000</u>

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

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

	<b>2008</b>	<b>2007</b>
IBOC Project	\$ --	\$ 14,465
CPB Web Project	--	6,450
Children's Jazz Series	15,350	21,021
Jazzset	278,064	253,203
Digital Music Project	55,494	--
My Source Project	20,000	--
Jazz Masters Touring	--	4,568
Jazzset CD Project	--	976
Oris Concerts	42,600	42,340
Jazzset New Year's Eve	39,656	12,406
Heart of Brooklyn Event	2,000	18,041
Jazzmatazz	--	1,000
Community Engagement Initiative	4,200	--
Computer Replacement Grant	20,000	--
Crush Wines Underwriting Event	--	5,000
Jazzset Calendar	6,600	5,100
Children Initiative Grant	--	79,197
N.J. Dept. of the Treasury	--	295
Special Projects	6,093	9,737
	<u>\$ 490,057</u>	<u>\$ 473,799</u>

**Newark Public Radio, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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**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.