



NEWARK PUBLIC RADIO, INC.

Financial Statements

September 30, 2018 and 2017

With Independent Auditors' Reports

Newark Public Radio, Inc.
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September 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 29, 2019

Newark Public Radio, Inc.
Statements of Financial Position
September 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1,182,945	\$ 1,026,361
Investments - unrestricted	749,577	717,330
Underwriting receivables, net	254,763	208,414
Pledges receivable	306,349	251,359
Grants and contracts receivable	451,306	290,612
Prepaid expenses	55,406	63,278
Total current assets	<u>3,000,346</u>	<u>2,557,354</u>
Property and equipment, net	1,288,921	1,403,445
Other assets		
Investments - permanently restricted	878,999	878,999
Grants and contracts receivable, non-current portion	--	120,000
	<u>878,999</u>	<u>998,999</u>
Total assets	<u>\$ 5,168,266</u>	<u>\$ 4,959,798</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 115,440	\$ 74,943
Deferred revenue	45,857	75,293
Total current liabilities	<u>161,297</u>	<u>150,236</u>
Deferred rent	38,163	38,603
Total liabilities	<u>199,460</u>	<u>188,839</u>
Net assets		
Unrestricted		
Board designated education fund	147,763	147,763
Board designated technical innovation fund	205,500	205,500
Available for general operations	1,070,014	1,121,614
	<u>1,423,277</u>	<u>1,474,877</u>
Investment in property and equipment	1,288,921	1,403,445
Total unrestricted net assets	<u>2,712,198</u>	<u>2,878,322</u>
Temporarily restricted	1,377,609	1,013,638
Permanently restricted	878,999	878,999
Total net assets	<u>4,968,806</u>	<u>4,770,959</u>
Total liabilities and net assets	<u>\$ 5,168,266</u>	<u>\$ 4,959,798</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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 2,395,698	\$ 806,185	\$ --	\$ 3,201,883	\$ 2,459,344	\$ 709,201	\$ --	\$ 3,168,545
Grants and contracts	602,524	33,333	--	635,857	615,014	63,334	--	678,348
Investment income, net	23,778	5,681	--	29,459	22,711	5,925	--	28,636
Underwriting	633,294	--	--	633,294	669,803	--	--	669,803
Special events	708,837	--	--	708,837	590,398	--	--	590,398
Loss on disposal of property	--	--	--	--	(926)	--	--	(926)
Trade revenue	211,693	--	--	211,693	385,600	--	--	385,600
Royalties	35,773	--	--	35,773	4,450	--	--	4,450
Other income	3,592	--	--	3,592	6,167	--	--	6,167
	<u>4,615,189</u>	<u>845,199</u>	<u>--</u>	<u>5,460,388</u>	<u>4,752,561</u>	<u>778,460</u>	<u>--</u>	<u>5,531,021</u>
Net assets released from restrictions								
Satisfaction of purpose restrictions	481,228	(481,228)	--	--	521,089	(521,089)	--	--
	<u>5,096,417</u>	<u>363,971</u>	<u>--</u>	<u>5,460,388</u>	<u>5,273,650</u>	<u>257,371</u>	<u>--</u>	<u>5,531,021</u>
Expenses								
Program services	3,059,296	--	--	3,059,296	3,376,833	--	--	3,376,833
Administrative	593,592	--	--	593,592	678,488	--	--	678,488
Fundraising	1,609,653	--	--	1,609,653	1,356,849	--	--	1,356,849
	<u>5,262,541</u>	<u>--</u>	<u>--</u>	<u>5,262,541</u>	<u>5,412,170</u>	<u>--</u>	<u>--</u>	<u>5,412,170</u>
Changes in net assets	(166,124)	363,971	--	197,847	(138,520)	257,371	--	118,851
Net assets, beginning of year	<u>2,878,322</u>	<u>1,013,638</u>	<u>878,999</u>	<u>4,770,959</u>	<u>3,016,842</u>	<u>756,267</u>	<u>878,999</u>	<u>4,652,108</u>
Net assets, end of year	<u>\$ 2,712,198</u>	<u>\$ 1,377,609</u>	<u>\$ 878,999</u>	<u>\$ 4,968,806</u>	<u>\$ 2,878,322</u>	<u>\$ 1,013,638</u>	<u>\$ 878,999</u>	<u>\$ 4,770,959</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, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ 197,847	\$ 118,851
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	114,524	115,212
Net realized/unrealized gains on investments	(9,791)	(16,418)
Donated investments	(21,793)	(10,439)
Loss on disposal of property and equipment	--	926
Bad debt expense	4,017	5,626
Changes in assets and liabilities		
Underwriting receivables	(50,366)	(192,926)
Pledges receivable, net	(54,990)	12,357
Grants and contracts receivable	(40,694)	(207,157)
Prepaid expenses	7,872	(5,722)
Accounts payable and accrued expenses	40,497	3,444
Severance payable	--	(50,091)
Security deposits payable	--	(2,000)
Deferred revenue	(29,436)	26,879
Deferred rent	(440)	936
Net cash provided (used) by operating activities	<u>157,247</u>	<u>(200,522)</u>
Cash flows from investing activities		
Purchases of property and equipment	--	(11,474)
Purchase of investments	(1,423,487)	(1,227,673)
Proceeds from sale of investments	<u>1,422,824</u>	<u>1,226,159</u>
Net cash used by investing activities	<u>(663)</u>	<u>(12,988)</u>
Net change in cash and cash equivalents	156,584	(213,510)
Cash and cash equivalents		
Beginning of year	<u>1,026,361</u>	<u>1,239,871</u>
End of year	<u>\$ 1,182,945</u>	<u>\$ 1,026,361</u>
Supplemental disclosure of cash flow information		
Noncash operating activities		
Trade revenue	<u>\$ 211,693</u>	<u>\$ 385,600</u>

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

Newark Public Radio, Inc.
Statements of Functional Expenses
Years Ended September 30, 2018 and 2017

	2018				2017			
	Program Services	Supporting Services		Total	Total	Program Services	Supporting Services	
	Station Operations	Administrative	Fundraising			Station Operations	Administrative	Fundraising
Salaries	\$ 1,718,633	\$ 342,666	\$ 610,922	\$ 2,672,221	\$ 2,653,187	\$ 1,753,641	\$ 371,000	\$ 528,546
Payroll taxes and fringe benefits	308,138	98,038	112,176	518,352	570,939	353,574	92,864	124,501
Artist fees	32,602	--	--	32,602	54,585	54,585	--	--
Professional services	162,732	62,484	52,823	278,039	366,725	179,583	124,111	63,031
Audience research	47,000	--	--	47,000	51,530	51,530	--	--
Office expense	14,791	3,603	3,589	21,983	31,515	22,917	3,734	4,864
Broadcast supplies	27,426	--	--	27,426	14,264	14,264	--	--
Program purchases	49,479	--	--	49,479	58,981	58,981	--	--
Internet streaming	33,377	--	--	33,377	36,815	36,815	--	--
Telephone	39,247	2,957	4,457	46,661	45,180	36,868	3,428	4,884
Fundraising supplies	--	--	54,051	54,051	52,183	--	--	52,183
Premiums	174	--	69,497	69,671	97,747	7,061	106	90,580
Postage and shipping	7,905	4,066	44,938	56,909	37,517	5,432	945	31,140
Dues and subscriptions	18,969	3,708	9,556	32,233	19,104	15,742	2,432	930
Satellite fee	10,500	--	--	10,500	10,130	10,130	--	--
Newswire	27,958	--	--	27,958	27,853	27,853	--	--
Credit and administrative fees	--	5,435	83,761	89,196	76,287	30	1,625	74,632
Travel and entertainment	30,235	1,943	664	32,842	53,405	44,693	6,682	2,030
Meetings and conferences	--	971	420	1,391	955	--	955	--
Advertising and public relations	11,315	445	11,847	23,607	18,839	8,258	--	10,581
Advertising and public relations - trade	211,693	--	--	211,693	385,600	385,600	--	--
Staff development	237	625	9,182	10,044	7,096	425	1,648	5,023
Utilities	26,020	6,368	9,599	41,987	42,018	27,773	5,875	8,370
Space and equipment rental	168,589	7,355	11,085	187,029	170,590	154,859	6,488	9,243
Repairs and maintenance	19,103	23,210	--	42,313	48,767	24,072	24,695	--
Insurance	29,603	6,316	9,524	45,443	46,430	30,043	8,432	7,955
Depreciation and amortization	59,553	17,178	37,793	114,524	115,212	65,792	16,220	33,200
Special events	--	--	473,769	473,769	305,156	--	--	305,156
Bad debt expense	4,017	--	--	4,017	5,626	5,626	--	--
Miscellaneous	--	6,224	--	6,224	7,934	686	7,248	--
	<u>\$ 3,059,296</u>	<u>\$ 593,592</u>	<u>\$ 1,609,653</u>	<u>\$ 5,262,541</u>	<u>\$ 5,412,170</u>	<u>\$ 3,376,833</u>	<u>\$ 678,488</u>	<u>\$ 1,356,849</u>

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

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

1. Organization and Purpose

Newark Public Radio, Inc. ("WBGO") is a global leader in jazz radio, broadcasting from the jazz capital of the world. Founded in 1979, WBGO is a publicly-supported cultural institution that preserves and elevates America's music: jazz and blues. WBGO reaches a weekly audience of more than 400,000 in the New York/New Jersey metro area via 88.3FM. Through programs such as Jazz Night in America, produced in partnership with NPR and Jazz at Lincoln Center, and WBGO's position as content provider to NPR, its reach extends to millions more across the country. From its home base of Newark, New Jersey, Public Radio station WBGO has long been an anchor institution in community engagement through its partnerships, concerts, education and news programming.

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, 2018 and 2017 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, underwriting, royalties 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.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

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, 2018 and 2017 and has incurred no interest or penalties related to income taxes for the periods presented in these financial statements.

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. WBGO's policy calls for the capitalization of property and equipment purchases with costs of \$2,500 or greater and a useful life of no less than three years. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The principal rates for computing depreciation by major asset categories are as follows:

Description	Estimated Life (Years)
Buildings	40
Building improvements	5-40
Office equipment	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 \$23,607 and \$18,839 in 2018 and 2017, respectively. Additionally, during the years ended September 30, 2018 and 2017 WBGO had \$211,693 and \$385,600, 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.

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, 2018 and 2017

Pledges Receivable

Pledges receivable amounted to \$306,349 and \$251,359 for the years ended September 30, 2018 and 2017, respectively and consist of pledges due within one year. As of September 30, 2018 and 2017, WBGO's allowance for doubtful account was \$16,274 and \$13,134, respectively.

Underwriting Receivables

Underwriting receivables represent unsecured, non-interest bearing obligations due on services rendered. Management closely monitors outstanding receivables and establishes an allowance for doubtful accounts based on historical write offs and specific identification of customers at risk of non-payment. As of September 30, 2018 and 2017, WBGO's allowance for doubtful accounts was \$25,865 and \$27,025, respectively.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications had no effect on previously reported changes in net assets.

New Accounting Pronouncements Not Yet in Effect

Revenue Recognition – Exchange Transactions

In May 2014, Financial Accounting Standards Board ("FASB") issued accounting standards update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU, which was deferred by ASU 2015-14, is effective for annual periods and interim periods beginning after December 15, 2018. The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of WBGO's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019.

Not-for-profit Reporting

In August 2016 the FASB issued ASU 2016-14 - *Not-for-profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted, will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor's restrictions at the time the asset is placed in service. In addition to the above disclosures the ASU changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns.

Revenue Recognition - Contributions

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations ("NFPs") because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This proposed ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018.

Newark Public Radio, Inc.
Notes to Financial Statements
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WBGO is currently evaluating the potential impact these pronouncements will have on its financial statements.

3. Grants and Contracts Receivable

WBGO was due certain amounts at September 30, 2018 and 2017 from funding sources which resulted from expenditures incurred in excess of payments received or from donors' notifications of intent to give. Grants and contracts receivable are as follows at September 30:

	2018	2017
New Jersey State Council on the Arts	\$ 51,335	\$ 51,335
National Endowment for the Arts	--	16,667
Foundation and other receivables	<u>399,971</u>	<u>342,610</u>
	<u>\$ 451,306</u>	<u>\$ 410,612</u>

4. Investments

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

	2018		2017	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equities	\$ 29,060	\$ 64,603	\$ 5,792	\$ 37,410
Mutual funds	16,534	37,016	16,534	31,335
Certificates of deposit	<u>1,525,871</u>	<u>1,526,957</u>	<u>1,526,087</u>	<u>1,527,584</u>
	<u>\$ 1,571,465</u>	<u>\$ 1,628,576</u>	<u>\$ 1,548,413</u>	<u>\$ 1,596,329</u>

Investment income consisted of the following at September 30:

	2018	2017
Interest and dividend income	\$ 19,818	\$ 12,368
Realized gains (losses)	596	(28)
Unrealized gains	9,195	16,446
Investment fees	<u>(150)</u>	<u>(150)</u>
	<u>\$ 29,459</u>	<u>\$ 28,636</u>

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.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

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, 2018 and 2017:

	2018			
	Total	Level 1	Level 2	Level 3
Equities	\$ 64,603	\$ 64,603	\$ --	\$ --
Mutual funds	37,016	37,016	--	--
Certificates of deposit (A)	1,526,957	--	--	--
Total investments	<u>\$ 1,628,576</u>	<u>\$ 101,619</u>	<u>\$ --</u>	<u>\$ --</u>
	2017			
	Total	Level 1	Level 2	Level 3
Equities	\$ 37,410	\$ 37,410	\$ --	\$ --
Mutual funds	31,335	31,335	--	--
Certificates of deposit (A)	1,527,584	--	--	--
Total investments	<u>\$ 1,596,329</u>	<u>\$ 68,745</u>	<u>\$ --</u>	<u>\$ --</u>

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

5. Property and Equipment

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

	2018	2017
Land	\$ 47,855	\$ 47,855
Buildings	82,684	82,684
Building improvements	2,431,597	2,431,597
Broadcasting equipment	1,786,003	1,786,003
Office equipment	487,929	493,621
	<u>4,836,068</u>	<u>4,841,760</u>
Less: Accumulated depreciation	<u>3,547,147</u>	<u>3,438,315</u>
	<u>\$ 1,288,921</u>	<u>\$ 1,403,445</u>

Depreciation expense totaled \$114,524 and \$115,212 for the years ended September 30, 2018 and 2017, respectively.

Newark Public Radio, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

6. Commitments

Operating Leases - Rental Expense

WBGO leases antenna space under a month to month and a non-cancelable operating lease arrangement with an expiration in March 2025. Additionally, WBGO leases office equipment and space for events held during the year under various contracts. Rental expense amounted to \$187,029 and \$170,590 for the years ended September 30, 2018 and 2017, respectively.

Minimum future annual rentals to be paid under non-cancellable lease agreements for the remaining lease terms are as follows:

Year	Amount
2019	\$ 100,514
2020	91,101
2021	74,487
2022	75,976
2023	77,496
Thereafter	<u>118,960</u>
	<u>\$ 538,534</u>

7. 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 Internal Revenue Service 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 \$42,000 and \$44,000 for the years ended September 30, 2018 and 2017, respectively.

8. Net Assets

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

	2018	2017
Restricted by donor for programmatic use as follows		
Jazz night in America/Jazzset	\$ 732,234	\$ 589,553
Children's jazz project	17,861	37,991
Live jazz productions	34,168	38,276
Capacity grant	14,806	26,349
Capacity grant - strategic plan	164,382	180,000
Community relations	--	42,603
Fellowship funds	64,786	60,152
Kids jazz @ play	17,754	6,254
Newark 350	6,960	6,960
Security system	17,213	5,500
Investigative reporting	4,230	20,000
WBGO/NPR Journalism	225,000	--
Enhancing financial health	78,215	--
	<u>\$ 1,377,609</u>	<u>\$ 1,013,638</u>

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

	2018	2017
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:

	2018	2017
Jazz night in America/Jazzset	\$ 277,837	\$ 314,271
Children's jazz project	37,630	95,021
Live jazz productions	4,108	3,249
Capacity grant	11,543	50,489
Capacity grant - strategic plan	15,618	--
Community relations	42,603	16,726
Fellowship funds	21,047	20,158
Kids jazz @ play	--	15,100
Newark 350	--	6,075
Security system	3,287	--
Investigative reporting	15,770	--
Enhancing financial health	21,785	--
NPR Digital Piece	30,000	--
	<u>\$ 481,228</u>	<u>\$ 521,089</u>

9. 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 in the United States of America, 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.

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.

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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, 2018 and 2017 are as follows:

	National Endowment for the Arts	Jazznet Endowment	Prudential Endowment	NJ Cultural Trust	Total
Balance - 10/01/16	\$ 240,000	\$ 300,000	\$ 250,000	\$ 88,999	\$ 878,999
Contributions	--	--	--	--	--
Investment income	3,415	4,268	3,557	1,266	12,506
Appropriated for expenditure	<u>(3,415)</u>	<u>(4,268)</u>	<u>(3,557)</u>	<u>(1,266)</u>	<u>(12,506)</u>
Balance - 9/30/17	240,000	300,000	250,000	88,999	878,999
Contributions	--	--	--	--	--
Investment income	3,504	4,380	3,650	1,300	12,834
Appropriated for expenditure	<u>(3,504)</u>	<u>(4,380)</u>	<u>(3,650)</u>	<u>(1,300)</u>	<u>(12,834)</u>
Balance - 9/30/18	<u>\$ 240,000</u>	<u>\$ 300,000</u>	<u>\$ 250,000</u>	<u>\$ 88,999</u>	<u>\$ 878,999</u>

10. Related Party Transactions

WBGO received contributions from board members amounting to approximately \$109,000 and \$101,000 for the years ended September 30, 2018 and 2017, respectively.

11. 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 18 percent of total receivables for the year ended September 30, 2018. WBGO had receivables from one grantor amounting to 21 percent of total receivables for the year ended September 30, 2017.

12. Subsequent Events

WBGO has evaluated subsequent events occurring after the statement of financial position date through the date of January 29, 2019, 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.