

IOWA PUBLIC RADIO, INC.

Audited Financial Statements
for the Years Ended
June 30, 2009 and 2008 and
Independent Auditor's Report

IOWA PUBLIC RADIO, INC.

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June 30, 2009

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-22

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As financial management of Iowa Public Radio, Inc. ("IPR"), we offer readers of these financial statements an overview and analysis of financial activities of the network for the years ended June 30, 2009 and 2008. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the network's financial position and identify individual issues or concerns.

Iowa Public Radio, Inc. is governed by the State of Iowa - Board of Regents and the Station Licensees (Iowa State University, University of Northern Iowa and State University of Iowa); therefore, we are considered a governmental entity for financial reporting purposes.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 8.

Iowa Public Radio exists to inform, enrich and engage Iowans through radio programming and other media. IPR enhances civic and cultural connections across the state, strengthening communities and reflecting Iowa's sense of place.

The Board of Regents of the State of Iowa established Iowa Public Radio to oversee public radio operations at the three Regents' universities at the end of 2004. Iowa Public Radio includes WOI AM and FM at Iowa State University, WSUI-AM and KSUI-FM at the University of Iowa, and KUNI-FM and KHKE-FM at the University of Northern Iowa.

Iowa Public Radio is governed by a board of directors consisting of one appointee of the president of each of the Regents' universities and two community representatives appointed by the Board of Regents. The Iowa Public Radio Board of Directors holds regular meetings in Des Moines, Iowa. The Organization is managed by a leadership team that includes the chief executive officer, director of development, director of finance, director of network operations, news director and music director.

Performance goals include 1) increase and enhance service across the state of Iowa; 2) work towards self-sufficiency while growing annual revenues to \$8.5 million by 2011; and 3) become a fully integrated organization, blending the best of each of the stations while moving to the next level as a public radio operation, and as a best-of-class Iowa nonprofit.

Key accomplishments in 2008/2009 to meet these goals included the following:

- Added a news reporter to the Cedar Rapids market.
- Total listenership to Iowa Public Radio increased 18% in 2008-09 compared to 2007-08.
- Membership for 2008-09 increased 8% compared to 2007-08.
- Employee charitable gift participation to IPR for 2008-09 increased 123% compared to 2007-08.
- Completed a realignment to manage redundancies in role and responsibility resulting in nine positions eliminated from the Organization.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Completed consolidation of financial audit activity for all of the IPR entities with one financial auditing firm.
- Launched the Central Billing & Traffic Project allowing IPR to centralize all underwriting administration, billing and traffic functions at a network level.
- Launched the Master Control Project allowing IPR to centralize and streamline program distribution with state-of-the-art disaster recovery at a network level.
- Launched the Exchange Server Project allowing IPR to centralize and internal Web and E-mail infrastructure allowing for reduced cost and eliminating redundancy.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of IPR consist of the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These statements are prepared in conformity with *GASB No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 requires the classification of net assets into three categories - invested in capital assets, net of related debt, restricted, and unrestricted.

The financial statements, included in this financial report, are designed to be similar to private sector business in that all activities are consolidated into columns, which add to a total for the Organization. These statements combine the Organization's current financial resources with capital assets and long-term obligations.

The Statements of Net Assets include assets, liabilities and net assets of IPR as of June 30, 2009 and 2008. Net assets are classified in the categories as noted. The Statements of Revenues, Expenses and Changes in Net Assets depict the operating revenues and expenses resulting in net operating income (loss), which is then combined with non-operating revenues (expenses) to provide the total change in net assets. The Statements of Cash Flows show the cash flows from operating activities, from non-capital financing activities, from capital financing activities and from investing activities. The financial statements also include notes that explain the information in the financial statements and provide more detailed data and summaries of significant accounting policies.

The fiscal year ending June 30, 2008 was the first year of reporting for the Organization.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the organization's financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 12 to 19.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FINANCIAL HIGHLIGHTS

OPERATING REVENUES

- IPR recognized contributions of \$2,350,974 in charitable gifts. This is a 7 percent increase from \$2,205,428 for the year ended June 30, 2008.
- IPR recognized revenue of \$52,379 from special events compared to \$0 for the period ending June 30, 2008.

OPERATING EXPENSES

- IPR recognized \$1,684,732 in contribution expense to the stations. This is a 14 percent increase over \$1,479,916 for the year ended June 30, 2008.
- IPR recognized \$756,950 in salaries, wages and benefits. This is a 2 percent decrease from \$774,585 for the year ended June 30, 2008.
- IPR recognized \$69,498 in recruiting expenses. This is a 703 percent increase from \$8,645 for the year ended June 30, 2008.
- IPR recognized \$4,821 in meetings, conferences and training expenses. This is an 83 percent decrease from \$28,011 for the year ended June 30, 2008.

THE STATEMENTS OF NET ASSETS

Assets of the Organization exceed its liabilities at the close of fiscal year ended June 30, 2009, by \$12,274 (net assets). Net assets increased by \$12,274 during the year. Summarized financial information is as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Assets:		
Current assets	\$ 463,372	\$ 473,054
Capital assets, net	<u>12,274</u>	<u>-0-</u>
Total assets	<u>\$ 475,646</u>	<u>\$ 473,054</u>
Liabilities:		
Current liabilities	\$ 404,582	\$ 473,054
Long-term liabilities	<u>58,790</u>	<u>-0-</u>
Total liabilities	<u>\$ 463,372</u>	<u>\$ 473,054</u>
Net assets:		
Invested in capital assets	\$ 12,274	\$ -0-
Restricted	18,208	100,000
Unrestricted	<u>(18,208)</u>	<u>(100,000)</u>
Total net assets	<u>\$ 12,274</u>	<u>\$ -0-</u>
Total liabilities and net assets	<u>\$ 475,646</u>	<u>\$ 473,054</u>
Change in net assets	<u>\$ 12,274</u>	<u>\$ -0-</u>

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following table summarizes the Organization's revenue, expenses and changes in net assets for the years ended June 30, 2009 and 2008.

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Total operating revenue	\$ 2,403,353	\$ 2,332,928
Total operating expenses	<u>2,804,765</u>	<u>2,432,943</u>
Operating income (loss)	(401,412)	(100,015)
Total non-operating revenue (expense)	<u>413,686</u>	<u>100,015</u>
Change in net assets	<u>\$ 12,274</u>	<u>\$ -0-</u>

Total operating revenue for the Organization for the fiscal year ended June 30, 2009, was \$2,403,353. This was an increase of \$70,425 over prior year operating revenue.

CASH FLOWS

The Organization's statements of cash flows for the years ended June 30, 2009 and 2008 are summarized in the following table:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Cash from operating activities	\$ (432,815)	\$ 206,836
Cash from non-capital financing activities	492,500	-0-
Cash from capital financing activities	(42,842)	50,000
Cash from investing activities	<u>13,336</u>	<u>2,985</u>
Net change in cash	30,179	259,821
Cash beginning of year	<u>193,134</u>	<u>(66,687)</u>
Cash end of year	<u>\$ 223,313</u>	<u>\$ 193,134</u>

CAPITAL ASSETS

Capital assets net of accumulated depreciation for the Organization was \$12,274 at June 30, 2009. This was a net increase of \$12,274 during the year. Depreciation expense on capital assets was \$1,080 for the fiscal year ended June 30, 2009.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

DEBT

Total liabilities for the Organization at June 30, 2009 were \$463,372. Total liabilities decreased during the year by \$9,682.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

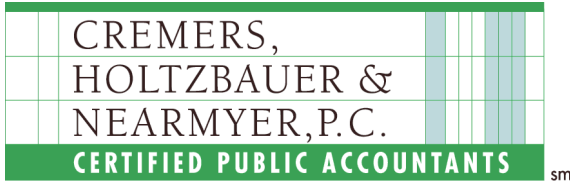
In its 2009 session, the Iowa General Assembly awarded \$1,900,000 for capital expenses to Iowa Public Radio. Following an assessment of each station's tower sites, translators and repeaters, Iowa Public Radio will manage the distribution of the funds for equipment acquisition, repair and deferred maintenance expense.

IPR received a state appropriation from the Iowa General Assembly in both 2008 and 2009 for general operating expenses. Given the recent economic climate and budget challenges at the state level, this annual appropriation may be significantly reduced. However, the strength of Iowa Public Radio as a radio network shows that as of period ending June 30, 2009, over 49 percent of private revenues (non university, state or federal) were generated as a result of fund-raising activities.

REQUEST FOR INFORMATION

This financial report is designed to provide donors, members, investment managers, foundation and taxpayers with a general overview of Iowa Public Radio, Inc.'s finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

Iowa Public Radio, Inc.
Attn: Chief Executive Officer
2111 Grand Avenue Suite 100
Des Moines, Iowa 50312



Phone: 515-274-4804
Fax: 515-274-4807
E-Mail: info@chncpa.com
Website: www.chncpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Iowa Public Radio, Inc.:

We have audited the accompanying financial statements of Iowa Public Radio, Inc. (a nonprofit organization), as of and for the years ended June 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Organization'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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 the 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 the Organization as of June 30, 2009 and 2008, and the results of its operations 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*, for the year ended June 30, 2009, we have also issued a report dated January 26, 2010 on our consideration of the Organization's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

Dale E. Cremers, CPA
Robert W. Holtzbauer, CPA
Roger D. Nearmyer, CPA

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Members:

PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified Public
Accountants

Forensic Accountants
Society of North America

The purpose of this 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. This 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.

The Management's Discussion and Analysis, on pages 1 - 5, is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Cremers, Holtzbauer & Nearmyer, P.C.

CREMERS, HOLTZBAUER & NEARMYER, P.C.
Certified Public Accountants

January 26, 2010

IOWA PUBLIC RADIO, INC.

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CASH AND CASH EQUIVALENTS	\$ 223,313	\$ 193,134
UNCONDITIONAL PROMISES TO GIVE - less allowance for doubtful accounts; \$32,938 in 2009 and \$16,655 in 2008	194,219	192,420
GRANTS RECEIVABLE	37,500	87,500
PREPAID EXPENSES	<u>8,340</u>	<u>-0-</u>
Total current assets	463,372	473,054
CAPITAL ASSETS - net	<u>12,274</u>	<u>-0-</u>
TOTAL	<u>\$ 475,646</u>	<u>\$ 473,054</u>
 <u>LIABILITIES AND NET ASSETS</u>		
ACCOUNTS PAYABLE	\$ 26,940	\$ 2,442
DUE TO RELATED PARTY	7,133	19,847
CONTRIBUTIONS PAYABLE TO STATIONS	308,378	377,035
COMPENSATED ABSENCES	49,504	73,730
CURRENT PORTION - ACCRUED POST RETIREMENT BENEFITS	<u>12,627</u>	<u>-0-</u>
Total current liabilities	404,582	473,054
ACCRUED POST RETIREMENT BENEFITS - net of current portion	<u>58,790</u>	<u>-0-</u>
Total liabilities	<u>-- 463,372</u>	<u>-- 473,054</u>
NET ASSETS:		
Invested in capital assets, net of related debt	12,274	-0-
Restricted	18,208	100,000
Unrestricted	<u>(18,208)</u>	<u>(100,000)</u>
Total net assets	<u>12,274</u>	<u>-0-</u>
TOTAL	<u>\$ 475,646</u>	<u>\$ 473,054</u>

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES:</u>		
Contributions - net of uncollectible promises to give	\$ 2,350,974	\$ 2,205,428
Special events	52,379	-0-
Grants	<u>-0-</u>	<u>127,500</u>
Total operating revenues	<u>- 2,403,353</u>	<u>- 2,332,928</u>
<u>OPERATING EXPENSES:</u>		
Contribution expense - Stations	1,684,732	1,479,916
Salaries, wages and benefits	756,950	774,585
Change in accrued post retirement benefits	71,417	-0-
Recruitment	69,498	8,645
Consultation services	41,081	41,508
Event and other supplies	35,447	7,666
Rent	27,325	-0-
Travel	25,465	16,020
Special event expense	24,036	-0-
Dues and subscriptions	21,797	24,512
Legal services	14,083	8,219
Printing and postage	13,496	5,321
Insurance	5,381	14,409
Meetings, conferences and training	4,821	28,011
Telephone	4,684	1,014
Office supplies	3,472	1,082
Depreciation	1,080	-0-
Credit card fees	<u>-0-</u>	<u>22,035</u>
Total operating expenses	<u>2,804,765</u>	<u>2,432,943</u>
Operating loss	<u>- (401,412)</u>	<u>- (100,015)</u>
<u>NON-OPERATING REVENUE (EXPENSES):</u>		
State appropriations	492,500	-0-
Capital grants	-0-	100,000
Investment return	674	15
Non capitalized equipment and improvements	<u>(79,488)</u>	<u>-0-</u>
Total non-operating revenues (expenses) - net	<u>413,686</u>	<u>100,015</u>
CHANGE IN NET ASSETS	12,274	-0-
NET ASSETS, beginning of year	<u>-0-</u>	<u>-0-</u>
NET ASSETS, end of year	<u>\$ 12,274</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from memberships and fund-raising campaigns	\$ 2,336,513	\$ 2,010,038
Cash received from special events	52,379	-0-
Cash received from operating grants	-0-	90,000
Cash payments to employees for salaries, wages and benefits	(795,736)	(686,296)
Cash payments to suppliers for goods and services	(272,583)	(54,025)
Cash payments to state universities for memberships and fund-raising	<u>(1,753,388)</u>	<u>(1,152,881)</u>
Net cash flows provided (used) by operating activities	_ _ (432,815)	_ _ 206,836
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from state appropriations	<u>492,500</u>	<u>-0-</u>
Net cash flows provided by non-capital financing activities	_ _ 492,500	_ _ _ _ -0-
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Cash received from capital grants	50,000	50,000
Purchase of equipment - noncapitalized	(79,488)	-0-
Purchase of equipment - capitalized	<u>(13,354)</u>	<u>-0-</u>
Net cash flows provided (used) by capital financing activities	_ _ (42,842)	_ _ 50,000
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds form sale of donated securities	13,336	2,976
Cash received from investment income	<u>-0-</u>	<u>9</u>
Net cash flows provided by investing activities	<u>13,336</u>	<u>2,985</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,179	259,821
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>193,134</u>	<u>(66,687)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 223,313</u>	<u>\$ 193,134</u>

Continued.....

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>		
<u>TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating loss	\$ (401,412)	\$ (100,015)
Transactions not requiring cash:		
Depreciation	1,080	-0-
Donated securities	(12,662)	(2,971)
(Increase) decrease in:		
Accounts receivable	-0-	120,530
Grants receivable	-0-	(37,500)
Pledges receivable	(1,799)	(192,420)
Prepaid expenses	(8,341)	-0-
Increase (decrease) in:		
Accounts payable	11,785	18,447
Contributions payable	(68,657)	377,035
Accrued compensated absences	(24,226)	73,730
Accrued post retirement benefits	71,417	-0-
Unearned revenue	<u>-0-</u>	<u>(50,000)</u>
Net cash flows provided (used) by operating activities	<u>\$ (432,815)</u>	<u>\$ 206,836</u>

Concluded.

DISCLOSURE OF POLICY FOR CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are controlled by Iowa State University Foundation and/or Iowa State University of Science and Technology and consist of unrestricted cash on hand, in checking, savings, and money market accounts, and highly liquid investments with original maturities of less than three months. Cash equivalents are readily convertible to known amounts of cash.

DISCLOSURE OF NONCASH FINANCING AND INVESTING TRANSACTIONS:

The Organization received donated securities in the amount of \$12,662 and \$2,971 in 2009 and 2008, respectively.

The accompanying notes are an integral part of these financial statements.

IOWA PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Iowa Public Radio, Inc. is organized as a public benefit corporation under the Revised Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa. The Organization was formed to support the welfare and growth of the network of public radio stations in the State of Iowa, including, but not limited to, the public radio stations currently licensed to the State University of Iowa, Iowa State University of Science and Technology, and University of Northern Iowa. The state universities are divisions of the State of Iowa, governed by the State of Iowa Board of Regents (Board of Regents). The Organization is governed by a five member board, with one licensee director appointed by each university president to represent the interest of the station licensee. Upon dissolution of the Corporation, the Organization shall distribute all of the assets of the Corporation to the Board of Regents or at the direction of the Board of Regents the Organization shall distribute all of the assets of the Corporation to one or more nonprofit organizations which are operated exclusively for charitable or educational purposes.

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Organization applies all applicable GASB pronouncements, as well as the Financial Accounting Standards Board Accounting Standards Codification in accounting and reporting for the Organization's operations.

Nature of Activities

The Organization is operated exclusively for charitable and educational purposes. The Organization informs, enriches and engages Iowans through radio programming and other media, and enhances civic and cultural connections across the state, strengthening communities and reflecting Iowa's sense of place.

Net Assets

The Organization's net assets are classified as follows:

Invested in capital assets, net of related debt - capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - net assets subject to externally imposed restrictions on use of resources either legally or contractually.

Unrestricted - Net assets not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets - continued

Restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Temporarily restricted:		
Des Moines Studio	\$ <u>18,208</u>	\$ <u>100,000</u>
Total restricted net assets	\$ <u><u>18,208</u></u>	\$ <u><u>100,000</u></u>

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or at estimated fair value at the date of donation. The Organization's capitalization policy for equipment, furniture and fixtures includes all items with a unit cost of at least \$1,000 and an estimated useful life of greater than one year. Renovations to leased property are charged to operations in the year in which the expense is incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 10 years for furniture, fixtures and signage and 4 years for electronic equipment. Depreciation expense charged to operations for 2009 and 2008 was \$1,080 and \$-0-, respectively.

Leasehold improvements and equipment purchases not meeting the Organization's capitalization policy charged to operations for 2009 and 2008 were \$79,488 and \$-0-, respectively.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give are periodically evaluated for collectibility based on payment history with the donor, time lapsed since the pledge was received and the number of collection attempts the Organization has made. Based on these criteria, the Organization determines an appropriate allowance for uncollectible promises to give at year-end. Grants are recognized as revenue in the period the grant is awarded. Grants and contributions are considered available for unrestricted use, unless specifically restricted by the grantor or donor.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributed Services

Contributed services are recognized as contributions if the services received, created or enhanced a long-lived asset or required specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers provide a variety of tasks that assist the Organization throughout the year that have not been recognized as contributions in the financial statements because the criteria for recognition was not met.

Operating and Non-operating Activities

Operating activities generally result from the management, fund-raising and programming for the state universities' stations. Revenues restricted by donors for the use of capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

Functional Allocation of Expenses

The cost of providing program services and other activities are summarized on a functional basis in Note 9. Accordingly, certain costs have been allocated between the program and supporting services on the basis of benefits received.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from State of Iowa income taxes; therefore, there is no provision for either federal or State income taxes.

Reclassification

Certain 2008 amounts have been reclassified to conform with the 2009 presentation.

2. TRANSACTIONS WITH STATE UNIVERSITIES

The Organization provides services to each of the universities in the form of management, fund-raising and programming services. In May 2007, the Organization entered into a public service operating agreement to manage the day-to-day operations of the universities' radio stations on behalf of the Board of Regents and the universities consistent with FCC requirements for licensee control; and to serve as the primary fund-raising entity for the universities' radio stations. Contribution expense for the years ended June 30, 2009 and 2008 and contributions payable as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Contribution expense:		
University of Northern Iowa (Licensee - KUNI)	\$ 265,022	\$ 196,690
Iowa State University of Science & Technology (Licensee - WOI)	1,210,188	1,156,625
State University of Iowa (Licensee - WSUI)	<u>209,522</u>	<u>126,601</u>
Total contribution expense	<u>\$ 1,684,732</u>	<u>\$ 1,479,916</u>

2. TRANSACTIONS WITH STATE UNIVERSITIES - continued

	<u>2009</u>	<u>2008</u>
Contributions payable:		
University of Northern Iowa (Licensee - KUNI)	\$ 93,359	\$ 127,940
Iowa State University of Science & Technology (Licensee - WOI)	99,669	172,494
State University of Iowa (Licensee - WSUI)	<u>115,350</u>	<u>76,601</u>
Total contributions payable	<u>\$ 308,378</u>	<u>\$ 377,035</u>

The Organization's employees are paid through the state universities. The Organization reimburses the universities for the salaries and benefits of the Organization's employees. Salaries, wages and benefits incurred by each university on behalf of the Organization for the years ended June 30, 2009 and 2008 are as follows:

<u>University</u>	<u>2009</u>	<u>2008</u>
University of Northern Iowa (Licensee - KUNI)	\$ 163,730	\$ 121,920
Iowa State University of Science & Technology (Licensee - WOI)	388,936	539,424
State University of Iowa (Licensee - WSUI)	123,888	100,000
Interim executive and assistant positions paid to University of Northern Iowa (Licensee - KUNI)	<u>80,396</u>	<u>13,241</u>
Total salaries, wages and benefits	<u>\$ 756,950</u>	<u>\$ 774,585</u>

Accrued vacation and sick leave payable to each university at June 30, 2009 and 2008 are as follows:

<u>University</u>	<u>2009</u>	<u>2008</u>
University of Northern Iowa (Licensee - KUNI)	\$ 10,904	\$ 21,920
Iowa State University of Science & Technology (Licensee - WOI)	<u>38,600</u>	<u>51,810</u>
Total accrued compensated absences	<u>\$ 49,504</u>	<u>\$ 73,730</u>

The amount payable to the University of Northern Iowa for salaries, benefits and other expenses was \$483 and \$19,847 as of June 30, 2009 and 2008, respectively.

The amount payable to Iowa State University for reimbursed programming fees was \$6,650 as of June 30, 2009.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2009 and 2008 were pledges made to the Organization and consisted of the following:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 227,157	\$ 209,075
Less allowance for uncollectible promises to give	<u>(32,938)</u>	<u>(16,655)</u>
Net unconditional promises to give	<u>\$ 194,219</u>	<u>\$ 192,420</u>

4. INVESTMENTS

Investments that have been contributed to the Organization are recorded at fair market value on the date of the gift. Market value is determined by quoted market prices. The Organization held no investments as of June 30, 2009 and 2008.

Investment return for 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Gain on sale of investments	\$ 674	\$ 6
Dividend income	<u>-0-</u>	<u>9</u>
Investment return	<u>\$ 674</u>	<u>\$ 15</u>

5. CAPITAL ASSETS

A summary of capital assets at June 30, 2009 is as follows:

<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Furniture and Fixtures	\$ -0-	\$ 3,114	\$ -0-	\$ 3,114
Equipment	<u>-0-</u>	<u>10,240</u>	<u>-0-</u>	<u>10,240</u>
Total	- - - <u>-0-</u>	- <u>13,354</u>	- - - <u>-0-</u>	- <u>13,354</u>
Less accumulated depreciation:				
Furniture and fixtures	\$ -0-	\$ (13)	\$ -0-	\$ (13)
Equipment	<u>-0-</u>	<u>(1,067)</u>	<u>-0-</u>	<u>(1,067)</u>
Total	<u>-0-</u>	<u>(1,080)</u>	<u>-0-</u>	<u>(1,080)</u>
Capital assets, net	<u>\$ -0-</u>	<u>\$ 12,274</u>	<u>\$ -0-</u>	<u>\$ 12,274</u>

6. COMPENSATED ABSENCES

Employees of the Organization are paid through State of Iowa Public Universities. University employees accumulate vacation and sick leave under the provisions of Chapter 79 and 262 of the Code of Iowa, and it is the policy of the State to liquidate these accrued benefits under specific circumstances. Accrued vacation is paid at 100% of the employees' hourly rate upon retirement, death or termination and accrued sick leave is paid at 100% of the hourly rate up to a maximum of \$2,000 upon retirement. As of June 30, 2009 and 2008, the amount to liquidate accrued vacation and sick leave amounts to approximately \$49,504 and \$73,730, respectively.

7. LEASE COMMITMENTS

The Organization has leased studio and administrative space. This lease has been classified as an operating lease and, accordingly, rent is charged to expense as incurred. This lease expires on February 1, 2019 and requires a minimum monthly base rent of \$2,855 through February 1, 2014 and \$3,400 through February 1, 2019. The lease agreement requires the payment of monthly pass-through charges for the Organization's share of utilities, services, and taxes.

Lease expense charged to operations for base rent and pass-through charges in 2009 and 2008 was \$27,325 and \$-0-, respectively.

Future minimum lease payments under all noncancellable operating leases for the next five years and in aggregate are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 34,260
2011	34,260
2012	34,260
2013	34,260
2014	36,985
Thereafter	<u>187,000</u>
Total	<u>\$ 361,025</u>

8. RETIREMENT PLANS

The Organization's employees participate in retirement plans through the Board of Regents Public Universities:

Teachers Insurance and Annuity Association (TIAA-CREF)

Each public university contributes to the Teachers Insurance and Annuity Association - College Retirement Equity Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for each University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provision and contribution requirements. As required by the Board of Regent's policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings.

8. RETIREMENT PLANS - continued

Iowa Public Employees Retirement System

Each public university contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117. Plan members are required to contribute 4.1% of their annual covered salary and the University is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009 and 2008.

The Organization's share of employer contributions to university TIAA-CREF and IPERS retirement plans is included in salaries, wages and benefits expense for the years ended June 30, 2009 and 2008.

Early Retirement Incentive Program

On April 30, 2009, the Board of Regents approved an early retirement incentive program for eligible University of Northern Iowa employees. Eligible employees must be 57 years or older and their age plus years of service must equal 70 or more on or before the date of retirement. Employees who meet the eligibility requirements must apply for the program by July 31, 2009 and must retire between June 1, 2009 and December 31, 2009.

The following benefits are applicable during participation in the Early Retirement Incentive Program:

- (1) Health and Dental Insurance - The University will contribute the employer and employee shares of health and dental insurance for employee and spouse for five years. After eligibility for Medicare, the University will continue to pay the Incentive at the retiree health and dental insurance rates for the balance, if any, of the five-year period.
- (2) Retirement Incentive - The University will contribute the employer's retirement contribution to TIAA-CREF for 5 years, based on the employees' annual salary as of May 1, 2009.

The employee may elect to receive a lump sum cash payment equal to the present value of the health and dental insurance contributions in lieu of continuing the University's health and dental plan.

In the event of the employee's death, the University's obligation to pay the cost of the TIAA-CREF contribution and the cost of the health and dental coverage will cease on the first day of the month following the date of death. The employee's surviving spouse may elect to continue health and dental coverage as provided by law.

During the fiscal year ended June 30, 2009, the Organization had one employee elect participation in the Early Retirement Incentive Program. As of June 30, 2009, the present value of future benefits was \$71,417. The interest rate utilized to calculate the present value was 5%.

9. FUNCTIONAL EXPENSES

The following schedule summarizes the functional expenses for the years ended June 30, 2009 and 2008 by their functional classifications:

<u>Classification</u>	<u>2009</u>	<u>2008</u>
Program Services:		
Programming and production	\$ 117,487	\$ -0-
Broadcasting and engineering	195,619	-0-
Program information and promotion	137,100	-0-
Support Services:		
Management and general	2,301,095	2,271,267
Fund-raising and membership development	<u>132,952</u>	<u>161,676</u>
Total	<u>\$ 2,884,253</u>	<u>\$ 2,432,943</u>

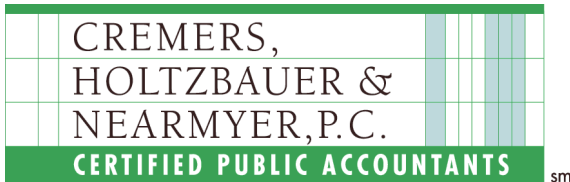
10. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for possible adjustment or disclosure through January 26, 2010. The date the financial statements were available to be issued.

11. CORRECTION OF FINANCIAL STATEMENT REPORTING PRESENTATION

The financial statements of the prior year have been restated to reflect the required reporting format of Governmental Entities as described by GASB No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The prior year report was presented in a non-profit format in error. The prior year restatement has not changed the balance of any previously reported amounts.

Supplemental Information



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Iowa Public Radio, Inc.:

We have audited the financial statements of Iowa Public Radio, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated January 26, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Public Radio, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Public Radio, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Public Radio, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and/or material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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Members:

PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified Public
Accountants

Forensic Accountants
Society of North America

See Independent Auditor's Report.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

We consider the following deficiencies to be significant deficiencies or material weaknesses as shown below. The auditee's response to our findings is included for each identified finding:

Significant Deficiencies

09-1 Separation of Duties

The size of the office staff precludes a proper separation of functions to assure adequate internal control. This is not unusual in enterprises of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of matters relating to the Organization's operations.

Auditee's Response

The Organization is aware of the lack of separation of duties and controls due to the size of organization. The Board of Directors and management have considered the additional cost necessary to further separate duties against the economic benefits that may be achieved. The Board of Directors and management will continue oversight of current operations on a consistent timely basis.

Material Weaknesses

09-2 Financial Statements

Management does not possess sufficient skill and accounting knowledge to prepare the Organization's financial statements. Management also lacks the expertise necessary to prevent, detect, and correct a potential material misstatement in the financial statements. Under these conditions, the most effective controls lie in the oversight by the Board of Directors in regards to financial reporting.

Auditee's Response

The Organization acknowledges that they do not possess the resources and professional accounting skills to prepare a complete financial statement and the required disclosures. The Board of Directors and management believes the cost to employ individuals capable of preparing the financial statements greatly outweighs the benefits to be achieved. The Board of Directors and management will continue to review internally prepared monthly financial statements and will review the annual financial statements with the auditor.

Material Weaknesses - continued

09-3 Lack of Controls in the Accounting Software

The Organization uses QuickBooks accounting software. QuickBooks lacks certain accounting controls. The employees responsible for maintaining and entering transactions have full access to make unidentified changes to accounts and transactions. Under these conditions, the most effective controls lie in the oversight by the Board of Directors in regards to financial statements.

Auditee's Response

The Organization is aware of the inherent control weaknesses of the QuickBooks accounting software. The cost to acquire accounting software with significantly greater controls outweighs the benefits that may be achieved. The Board of Directors and management will continue to monitor monthly and annual financial statements and accounting records supporting the financial statements on a consistent timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Public Radio, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Iowa Public Radio, Inc.'s response to the findings identified in our audit is shown above and identified as "Auditee's Response." We did not audit Iowa Public Radio, Inc.'s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, others within Iowa Public Radio, Inc. and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cremers, Holtzbauer & Nearmyer, P.C.

CREMERS, HOLTZBAUER & NEARMYER, P.C.
Certified Public Accountants

January 26, 2010