

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE

WNYC Radio  
Years Ended June 30, 2008 and 2007  
With Report of Independent Auditors

WNYC Radio

Financial Statements  
and Supplemental Schedule

Years Ended June 30, 2008 and 2007

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## Report of Independent Auditors

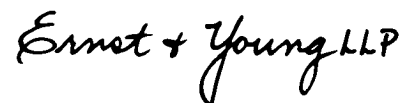
Board of Trustees  
WNYC Radio

We have audited the accompanying statements of financial position of WNYC Radio as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of WNYC Radio'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of WNYC Radio's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WNYC Radio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 WNYC Radio at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of functional expenses for the year ended June 30, 2008 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



October 15, 2008

WNYC Radio  
Statements of Financial Position

	June 30	
	2008	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 38,392,892	\$ 22,669,996
Pledges and grants receivable	6,656,707	6,965,450
Accounts receivable, less allowance for doubtful accounts of \$300,000 and \$442,000 at June 30, 2008 and 2007, respectively	3,397,067	3,000,635
Due from partner in collaborative arrangement	606,893	-
Investments	1,001,880	4,000,000
Prepaid expenses and other current assets	426,097	363,242
Total current assets	50,481,536	36,999,323
Noncurrent assets:		
Pledges receivable, net, long-term portion, less allowance for uncollectible pledges of \$45,000 and \$20,000 at June 30, 2008 and 2007, respectively	3,925,477	4,589,076
Investments	1,408,358	3,330,965
Cash equivalents limited as to use	1,587,143	16,385,591
Fixed assets, net of accumulated depreciation and amortization	29,127,188	12,630,220
FCC licenses	14,317,470	14,317,470
Fair value of interest rate swap agreement	-	264,648
Other assets	540,241	573,018
Total noncurrent assets	50,905,877	52,090,988
Total assets	\$ 101,387,413	\$ 89,090,311
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable, accrued expenses and deferred revenue	\$ 7,441,516	\$ 6,632,656
Current portion of bonds and loan payable	874,704	56,626
Total current liabilities	8,316,220	6,689,282
Fair value of interest rate swap agreement	575,707	-
Bonds payable, less current portion	22,130,000	23,000,000
Deferred rent	1,532,937	1,121,423
Other liabilities	576,040	301,408
Total liabilities	33,130,904	31,112,113
Commitments		
<b>Net assets</b>		
Unrestricted:		
Undesignated	21,110,270	17,080,738
Board-designated	18,815,881	13,627,247
Investment in FCC licenses	14,317,470	14,317,470
Total unrestricted	54,243,621	45,025,455
Temporarily restricted	12,793,390	11,733,245
Permanently restricted	1,219,498	1,219,498
Total net assets	68,256,509	57,978,198
Total liabilities and net assets	\$ 101,387,413	\$ 89,090,311

*See accompanying notes.*

WNYC Radio

Statements of Activities

	Year Ended June 30, 2008						Year Ended June 30, 2007							
	Undesignated	Board-Designated	Investment in FCC Licenses	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Undesignated	Board Designated	Investment in FCC Licenses	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, revenue and reclassifications</b>														
Contributions	\$ 29,710,116	\$ 1,603,761	\$ -	\$ 31,313,877	\$ 1,856,289	\$ -	\$ 33,170,166	\$ 27,037,400	\$ 5,627,775	\$ -	\$ 32,665,175	\$ 9,833,169	\$ -	\$ 42,498,344
Government grants	156,612	-	-	156,612	644,497	-	801,109	139,977	-	-	139,977	54,974	-	194,951
Grants for donor-restricted projects	-	-	-	-	6,232,465	-	6,232,465	-	-	-	-	2,399,500	-	2,399,500
Donated services and support	1,908,835	-	-	1,908,835	-	-	1,908,835	1,776,811	-	-	1,776,811	-	-	1,776,811
Production and other income	2,484,045	-	-	2,484,045	-	-	2,484,045	2,172,106	-	-	2,172,106	-	-	2,172,106
Special events revenue, net of direct expenses of \$348,068 and \$278,830 in 2008 and 2007, respectively	629,674	-	-	629,674	347,150	-	976,824	736,938	-	-	736,938	19,250	-	756,188
Investment income	1,169,760	-	-	1,169,760	-	-	1,169,760	1,086,197	-	-	1,086,197	-	-	1,086,197
Revenues from collaborative arrangement	1,917,055	-	-	1,917,055	-	-	1,917,055	-	-	-	-	-	-	-
Net assets released from restrictions and designations	4,435,383	3,584,873	-	8,020,256	(8,020,256)	-	-	4,252,778	3,607,018	-	7,859,796	(7,859,796)	-	-
<b>Total support, revenue and reclassifications</b>	<b>42,411,480</b>	<b>5,188,634</b>	<b>-</b>	<b>47,600,114</b>	<b>1,060,145</b>	<b>-</b>	<b>48,660,259</b>	<b>37,202,207</b>	<b>9,234,793</b>	<b>-</b>	<b>46,437,000</b>	<b>4,447,097</b>	<b>-</b>	<b>50,884,097</b>
<b>Expenses</b>														
Program services:														
Radio programming	20,579,165	-	-	20,579,165	-	-	20,579,165	15,725,833	-	-	15,725,833	-	-	15,725,833
Technical operations	3,732,927	-	-	3,732,927	-	-	3,732,927	3,700,755	-	-	3,700,755	-	-	3,700,755
Marketing	2,381,066	-	-	2,381,066	-	-	2,381,066	1,286,907	-	-	1,286,907	-	-	1,286,907
<b>Total program services</b>	<b>26,693,158</b>	<b>-</b>	<b>-</b>	<b>26,693,158</b>	<b>-</b>	<b>-</b>	<b>26,693,158</b>	<b>20,713,495</b>	<b>-</b>	<b>-</b>	<b>20,713,495</b>	<b>-</b>	<b>-</b>	<b>20,713,495</b>
Supporting services:														
Fundraising (non-campaign)	7,388,612	-	-	7,388,612	-	-	7,388,612	8,124,651	-	-	8,124,651	-	-	8,124,651
Fundraising (campaign)	890,733	-	-	890,733	-	-	890,733	713,197	-	-	713,197	-	-	713,197
Management and general	2,569,090	-	-	2,569,090	-	-	2,569,090	2,854,711	-	-	2,854,711	-	-	2,854,711
<b>Total supporting services</b>	<b>10,848,435</b>	<b>-</b>	<b>-</b>	<b>10,848,435</b>	<b>-</b>	<b>-</b>	<b>10,848,435</b>	<b>11,692,559</b>	<b>-</b>	<b>-</b>	<b>11,692,559</b>	<b>-</b>	<b>-</b>	<b>11,692,559</b>
<b>Total expenses</b>	<b>37,541,593</b>	<b>-</b>	<b>-</b>	<b>37,541,593</b>	<b>-</b>	<b>-</b>	<b>37,541,593</b>	<b>32,406,054</b>	<b>-</b>	<b>-</b>	<b>32,406,054</b>	<b>-</b>	<b>-</b>	<b>32,406,054</b>
<b>Total support, revenue and reclassifications in excess of expenses</b>	<b>4,869,887</b>	<b>5,188,634</b>	<b>-</b>	<b>10,058,521</b>	<b>1,060,145</b>	<b>-</b>	<b>11,118,666</b>	<b>4,796,153</b>	<b>9,234,793</b>	<b>-</b>	<b>14,030,946</b>	<b>4,447,097</b>	<b>-</b>	<b>18,478,043</b>
Change in fair value of interest rate swap agreement	(840,355)	-	-	(840,355)	-	-	(840,355)	(73,541)	-	-	(73,541)	-	-	(73,541)
<b>Change in net assets</b>	<b>4,029,532</b>	<b>5,188,634</b>	<b>-</b>	<b>9,218,166</b>	<b>1,060,145</b>	<b>-</b>	<b>10,278,311</b>	<b>4,722,612</b>	<b>9,234,793</b>	<b>-</b>	<b>13,957,405</b>	<b>4,447,097</b>	<b>-</b>	<b>18,404,502</b>
Net assets at beginning of year	17,080,738	13,627,247	14,317,470	45,025,455	11,733,245	1,219,498	57,978,198	12,358,126	4,392,454	14,317,470	31,068,050	7,286,148	1,219,498	39,573,696
<b>Net assets at end of year</b>	<b>\$ 21,110,270</b>	<b>\$ 18,815,881</b>	<b>\$ 14,317,470</b>	<b>\$ 54,243,621</b>	<b>\$ 12,793,390</b>	<b>\$ 1,219,498</b>	<b>\$ 68,256,509</b>	<b>\$ 17,080,738</b>	<b>\$ 13,627,247</b>	<b>\$ 14,317,470</b>	<b>\$ 45,025,455</b>	<b>\$ 11,733,245</b>	<b>\$ 1,219,498</b>	<b>\$ 57,978,198</b>

See accompanying notes.

# WNYC Radio

## Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Change in net assets	<b>\$ 10,278,311</b>	\$ 18,404,502
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	<b>450,234</b>	864,762
Amortization of deferred financing costs	<b>40,796</b>	40,907
Bad debt expense, net of recoveries	<b>80,725</b>	87,392
Revenue from barter arrangements	<b>(287,073)</b>	(159,373)
Deferred rent	<b>411,514</b>	1,121,423
Reversal of accounts payable	<b>(350,200)</b>	(465,000)
Change in fair value of interest rate swap agreement	<b>840,355</b>	73,541
Change in unrealized loss on investments	<b>(65,700)</b>	(84,080)
Changes in operating assets and liabilities:		
Decrease (increase) in current pledges and grants receivable	<b>308,743</b>	(4,470,541)
Increase in accounts receivable	<b>(212,157)</b>	(858,257)
Decrease (increase) in prepaid expenses and other current assets	<b>4,539</b>	(23,165)
Increase in due from partner in collaborative arrangement	<b>(606,893)</b>	-
Decrease (increase) in long-term pledges receivable, net	<b>638,599</b>	(481,573)
Increase in other assets	<b>(8,019)</b>	(50,821)
(Decrease) increase in accounts payable and accrued expenses	<b>(1,284,415)</b>	1,055,088
Increase in other liabilities	<b>33,020</b>	72,487
Net cash provided by operating activities	<b>10,272,379</b>	15,127,292
<b>Cash flows from investing activities</b>		
Net decrease in cash equivalents limited as to use	<b>14,798,448</b>	5,887,732
Purchase of fixed assets	<b>(14,282,436)</b>	(8,073,922)
Net sale (purchase) of investments	<b>4,986,427</b>	(1,025,308)
Net cash provided by (used in) investing activities	<b>5,502,439</b>	(3,211,498)
<b>Cash flows from financing activities</b>		
Repayment of loan payable	<b>(51,922)</b>	(89,969)
Net cash used in financing activities	<b>(51,922)</b>	(89,969)
Net increase in cash and cash equivalents	<b>15,722,896</b>	11,825,825
Cash and cash equivalents at beginning of year	<b>22,669,996</b>	10,844,171
Cash and cash equivalents at end of year	<b>\$ 38,392,892</b>	\$ 22,669,996
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest, net of interest costs capitalized	<b>\$ 136,000</b>	\$ -
Non-cash investing and financing activities:		
Fixed assets purchased through accounts payable	<b>\$ 2,663,154</b>	\$ 1,961,564
Accounts receivable for lease incentives due from WNYC Radio's landlord	<b>\$ 240,000</b>	\$ -
Increase in fixed assets related to arbitrage rebate liability in other liabilities	<b>\$ 1,612</b>	\$ 228,921

*See accompanying notes.*

# WNYC Radio

## Notes to Financial Statements

June 30, 2008

### **1. Nature of Business and Organization**

WNYC Radio was incorporated in the State of New York in September 1979 as a not-for-profit corporation, primarily for the purpose of providing monetary and operational support for the City of New York (the “City”) Municipal Broadcasting System, later known as the WNYC Communications Group, through fundraising activities and the rendering of services.

On January 7, 1997, the City transferred the licenses and all the assets associated with WNYC-AM and WNYC-FM to WNYC Radio for \$20 million payable over six years. The Federal Communications Commission (“FCC”) granted the transfer of the licenses in fiscal 1997.

WNYC Radio is a Section 501(c)(3) organization, which is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the “Code”). It is a publicly supported organization as described in Section 509(a)(1) of the Code. WNYC Radio is also exempt from state and local income taxes.

### **2. Summary of Significant Accounting Policies**

#### **Net Assets**

To ensure compliance with limitations and restrictions placed on the use of resources available to WNYC Radio, its accounts are maintained in accordance with the principles of fund accounting. In the accompanying financial statements, WNYC Radio has combined its financial resources into three net asset classes: unrestricted, temporarily restricted and permanently restricted.

*Unrestricted Net Assets:* Unrestricted net assets include expendable resources over which WNYC Radio’s Board of Trustees has discretionary control and are used to carry out WNYC Radio’s operations in accordance with its Articles of Incorporation and the related bylaws. In fiscal 2006, WNYC Radio’s Board of Trustees designated a portion of unrestricted net assets for the Campaign for New York Public Radio. Funds received in association with this campaign are to be allocated at the discretion of the Board of Trustees to the fit-out and construction of WNYC Radio’s new facility, debt service related to the March 2006 bond offering, lease and operating expenses associated with the new facility and programming initiatives.

# WNYC Radio

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

*Temporarily Restricted Net Assets:* Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of WNYC Radio.

*Permanently Restricted Net Assets:* Permanently restricted net assets represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be used.

### Grants and Contributions

Grants and contributions (including unconditional promises to give) are recorded at fair value when received. Contributions received with donor stipulations that limit the use of donated assets are reported as either temporarily or permanently restricted support. Unconditional promises to give, with payments due in future years, are reported as temporarily restricted support, discounted to their present value. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Pledges are recorded as receivables at their estimated net realizable value.

Contributions that the donor restricts to be used to acquire fixed assets are reported as temporarily restricted. As the acquired assets are depreciated, WNYC Radio reflects the expiration of the donor-imposed restrictions.

The details of unrestricted contributions for the years ended June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Membership	\$ 11,786,185	\$ 10,207,773
Underwriting	11,192,656	10,503,462
Underwriting trade	1,261,593	933,842
Campaign for New York Public Radio	1,603,761	5,627,775
Major donors	2,707,485	2,876,800
Bequests	22,771	136,219
Foundations and not-for-profit organizations	2,739,426	2,379,304
	<u>\$ 31,313,877</u>	<u>\$ 32,665,175</u>

# WNYC Radio

## Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. As of June 30, 2008, WNYC Radio has received conditional, time restricted pledges of approximately \$7,500,000 for future support for which the conditions stipulated by the donors have not yet been met.

#### **Donated Services and Support**

Volunteers have donated significant amounts of their time to WNYC Radio's program services and supporting services. No amounts have been reflected in the accompanying financial statements for these donated services because they do not meet the criteria for revenue recognition established by accounting principles generally accepted in the United States.

The City provides certain services and facilities including, but not restricted to, space, electricity and custodial services to WNYC Radio, at no charge, the fair value of which is reflected in the accompanying financial statements as donated services of \$1,908,835 and \$1,776,811 for the years ended June 30, 2008 and 2007, respectively.

WNYC Radio also received donated legal and other professional services valued at approximately \$108,737 for the year ended June 30, 2008, which are included in contributions in the accompanying statements of activities.

#### **Cash Equivalents**

WNYC Radio considers all highly liquid investments, consisting primarily of money market funds, with a maturity of three months or less when purchased, and other than those held as part of the investment portfolio or those restricted as to use, to be cash equivalents. All cash and cash equivalents are held at three financial institutions at June 30, 2008. The amount of cash and cash equivalents at these banks may not be insured or may exceed federally-insured limits. At June 30, 2008, approximately \$5.1 million of the balance in cash and cash equivalents is held in a money market fund that is invested in underlying U.S. government and agency securities.

#### **Accounts Receivable**

Accounts receivable consist primarily of on-air acknowledgements of corporate underwriting. The allowance for doubtful accounts is determined based upon specific analysis of past-due accounts and historical collections experience.

## WNYC Radio

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Capitalized Interest**

Interest costs incurred on bonds payable are capitalized as construction in progress, net of interest income earned on the bond proceeds, in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*.

##### **FCC Licenses**

Identifiable intangible assets with indefinite lives consist of the FCC licenses for WNYC Radio. WNYC Radio adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, effective July 1, 2001. Such intangible assets are no longer amortized but instead are subject to annual impairment tests in accordance with the provisions of SFAS No. 142. There were no indications of impairment noted in the annual impairment test performed for the years ended June 30, 2008 and 2007.

##### **Depreciation and Amortization**

Furniture, fixtures, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. WNYC Radio provides for depreciation of fixed assets on the straight-line basis over the estimated useful lives of the assets ranging from three to fifteen years. Amortization of leasehold improvements is provided on the straight-line basis over the lesser of the terms of the related leases or estimated useful lives of the improvements.

During fiscal 2008, WNYC Radio changed its method of calculating depreciation expense on new assets placed in service from the half year convention to a method that begins depreciation in the month that the new asset is placed in service. Had WNYC Radio continued using the half year convention, additional depreciation and amortization expense of approximately \$954,000 would have been recorded for the year ended June 30, 2008.

WNYC Radio changed the estimated useful lives for certain assets as a result of a decision to vacate its current facilities resulting in additional depreciation expense of approximately \$266,000 for the year ended June 30, 2007.

## WNYC Radio

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Advertising**

Advertising costs are expensed as incurred. For the years ended June 30, 2008 and 2007, total advertising and public relations costs amounted to approximately \$1,114,000 and \$547,000, respectively.

##### **Barter Transactions**

Revenue from barter transactions (underwriting acknowledgements provided in exchange for services) is recognized when underwriting is broadcast and is valued based on fair value (comparable cash revenue). Services received are charged to expense when received or used. Barter revenue and barter expenses reflected in the statement of activities for the year ended June 30, 2008 were approximately \$1,262,000 and \$975,000, respectively. An asset of approximately \$67,000 is included in prepaid expenses and other current assets at June 30, 2008 in the accompanying statements of financial position, representing the fair value of goods and services receivable under barter arrangements. A liability of approximately \$220,000 is included in accounts payable, accrued expenses and deferred revenue at June 30, 2007 in the accompanying statements of financial position, representing the fair value of WNYC Radio's obligation to broadcast underwriting under barter arrangements. The liability at June 30, 2007 includes amounts relating to professional services received for the build-out of a new facility. Barter revenue and barter expenses for the year ended June 30, 2007 were approximately \$934,000 and \$774,000, respectively.

##### **Interest Rate Swap Agreement**

WNYC Radio records the fair value of its interest rate swap agreement based on the present value of future cash flows using prevailing interest rates.

##### **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## WNYC Radio

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Collaborative Arrangement**

WNYC Radio accounts for its collaborative arrangement in accordance with EITF 07-01, *Accounting for Collaborative Arrangements* (see Note 12) which prescribes that for costs incurred and revenue generated from third parties, the participant in a collaborative arrangement that is deemed to be the principal participant for a given transaction should record that transaction on a gross basis in the financial statements. Payments from WNYC Radio's partner in the collaborative arrangement are recorded as revenues from collaborative arrangement in the period in which such payments are due to cover expenditures of the arrangement.

##### **Recently Issued Accounting Standards**

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS 157"), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under U.S. generally accepted accounting principles. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. WNYC Radio is currently evaluating the impact of adopting the standard.

##### **Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year presentation.

## WNYC Radio

### Notes to Financial Statements (continued)

#### 3. Investments

WNYC Radio held the following investments at June 30:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Fixed-income securities:				
U.S. government and agency securities	<b>\$2,043,177</b>	<b>\$2,060,372</b>	\$7,045,934	\$6,998,873
Corporate bonds	<b>47,585</b>	<b>45,557</b>	49,180	47,260
Common stock	<b>54,810</b>	<b>46,805</b>	59,008	57,756
Limited liability company	<b>200,000</b>	<b>246,676</b>	200,000	220,066
Money market	<b>10,828</b>	<b>10,828</b>	7,010	7,010
	<b><u>\$2,356,400</u></b>	<b><u>\$2,410,238</u></b>	<u>\$7,361,132</u>	<u>\$7,330,965</u>

Investments in common stock and all fixed-income securities are stated at their quoted market prices as of June 30 of each year. Money market funds are stated at cost which approximates their fair value. During fiscal 2006, WNYC Radio invested in a limited liability company. The purchase of the investment was financed through a loan payable to the investee (loan payable of approximately \$5,000 and \$57,000 at June 30, 2008 and 2007, respectively). This investment is accounted for using the equity method.

#### 4. Split-Interest Arrangements

WNYC Radio is the beneficiary of split-interest charitable gift annuity agreements with donors. Under the terms of WNYC Radio's charitable gift annuity agreements, WNYC Radio controls the donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee) at which time the remaining assets are generally unrestricted for WNYC Radio's use. The assets related to these agreements amount to \$124,000 and \$134,000 at June 30, 2008 and 2007, respectively, and are included in investments in the accompanying statements of financial position. WNYC Radio records contribution income and a liability for amounts payable to annuitants using an actuarial calculation at the time of the gift. Adjustments to the actuarial calculation for changes in assumptions are made annually. The discount rates used in the calculations at June 30, 2008 and 2007 ranged from 4.2% to 8.0%. At June 30, 2008 and 2007, approximately \$67,000 and \$71,000, respectively, of liabilities to annuitants are included in accounts payable, accrued expenses and deferred revenue in the accompanying statements of financial position.

## WNYC Radio

### Notes to Financial Statements (continued)

#### 5. Pledges and Grants Receivable

Pledges and grants receivable consist substantially of promises to give and are due from individuals and foundations. Pledges and grants receivable, net of allowance for uncollectible pledges, are due to be collected as follows at June 30:

	<b>2008</b>	<b>2007</b>
Less than one year	<b>\$ 6,656,707</b>	\$ 6,965,450
One to five years	<b>4,242,976</b>	5,063,024
	<b>10,899,683</b>	12,028,474
Less discount (using 2.5% – 5.1% rate)	<b>(272,499)</b>	(453,948)
Less allowance for uncollectible pledges	<b>(45,000)</b>	(20,000)
Pledges and grants receivable, net	<b>\$ 10,582,184</b>	\$ 11,554,526

#### 6. Fixed Assets

Fixed assets consist of the following at June 30:

	<b>2008</b>	<b>2007</b>
Computer hardware and software	<b>\$ 1,052,446</b>	\$ 1,010,447
Transmitters	<b>3,146,365</b>	3,053,105
Leasehold improvements	<b>17,509,218</b>	179,716
Furniture and fixtures	<b>1,457,151</b>	–
Equipment	<b>10,045,992</b>	2,457,796
	<b>33,211,172</b>	6,701,064
Less accumulated depreciation and amortization	<b>(4,643,815)</b>	(4,373,297)
Construction in progress	<b>559,831</b>	10,302,453
	<b>\$ 29,127,188</b>	\$ 12,630,220

Leasehold improvements includes capitalized interest costs of approximately \$1,697,000 and \$1,035,000, reduced by interest earned on proceeds from the issuance of bonds payable (see Note 7) of approximately \$1,414,000 and \$1,068,000 as of June 30, 2008 and 2007, respectively.

## WNYC Radio

### Notes to Financial Statements (continued)

#### **7. Bonds Payable**

In March 2006, WNYC Radio issued tax-exempt Series 2006 revenue bonds (“Series 2006 Revenue Bonds”) through the Trust for Cultural Resources of the City of New York in the amount of \$23,000,000. Proceeds from the Series 2006 Revenue Bonds, as well as any interest income earned on the proceeds, will be used to finance issuance costs, a portion of interest costs and all or a portion of the cost of the renovation, construction, studio technical fit-out and furnishing of approximately 76,000 square feet of leased space in a building to be used as WNYC Radio’s principal offices and broadcast studios. The unexpended bond proceeds are reported as cash equivalents limited as to use in the accompanying statements of financial position as of June 30, 2008 and 2007. At June 30, 2008, all unexpended bond proceeds are restricted to cover construction and other costs related to the newly leased space. Approximately \$1,369,000 of such bond proceeds are included in cash equivalents limited as to use in the accompanying statements of financial position at June 30, 2008.

The Series 2006 Revenue Bonds are secured by an irrevocable direct pay letter of credit from a bank (Wachovia Bank, N.A.) with a credit rating at June 30, 2008 that meets the requirements of the bond indentures. The letter of credit expires on March 29, 2012 and is secured by certain assets pledged by WNYC Radio, including the proceeds of any sale of WNYC Radio’s FM license. The letter of credit agreement also requires WNYC Radio to maintain compliance with certain financial covenants and other restrictions.

As a condition of this borrowing, beginning in April 2008, WNYC Radio was required to make monthly deposits into a debt service fund. WNYC Radio contributed approximately \$218,000 in fiscal 2008 which is included in cash equivalents limited as to use in the accompanying statements of financial position at June 30, 2008. The fund accumulates amounts necessary to make principal payments on annual serial maturity dates commencing April 1, 2009. The final maturity date is April 1, 2026. Any grants and contributions received that are restricted to the project funded by the bonds must be used to fund project costs or be deposited in the debt service fund for payment of bond principal. The Series 2006 Revenue Bonds bear interest at a rate that is reset weekly as determined by the remarketing agent. The rate effective at June 30, 2008 was 1.45%. Interest is payable on the first business day of each calendar month.

WNYC Radio is required to calculate and remit arbitrage rebate payments to the U.S. government related to the excess of interest income earned on bond proceeds over interest costs. The first calculation is required five years after the date of issuance of the bonds. An estimated rebate liability of approximately \$231,000 and 229,000 is included in other liabilities in the accompanying statement of financial position at June 30, 2008 and 2007, respectively.

## WNYC Radio

### Notes to Financial Statements (continued)

#### 7. Bonds Payable (continued)

The Series 2006 Revenue Bonds are subject to future mandatory sinking fund installments, as follows:

Year Ending June 30:	
2009	\$ 880,000
2010	920,000
2011	958,750
2012	996,250
2013	1,041,250
Thereafter	17,986,250
	<u>\$ 22,782,500</u>

Principal payments are to be made from the sinking fund installments that WNYC pays, as follows:

Year Ending June 30:	
2009	\$ 870,000
2010	910,000
2011	950,000
2012	985,000
2013	1,030,000
Thereafter	18,255,000
	<u>\$ 23,000,000</u>

#### 8. Interest Rate Swap Agreement

In March 2006, WNYC Radio entered into an interest rate swap agreement to manage the interest cost and risk associated with the Series 2006 bond issuance. The counterparty to the interest rate swap agreement is Wachovia Bank, N.A. (see Note 16). The interest rate swap has an effective date of March 29, 2006 and is intended to reduce the risk of rising interest rates. The initial notional amount of the swap agreement is \$15,000,000, to be reduced to match principal payments on the bonds payable over the period from April 1, 2009 through April 1, 2026. In accordance with the terms of the interest rate swap and related agreement, WNYC Radio pays an interest rate of 3.675% and receives interest based on 70% of USDLIBOR-BBA. Net receipts or payments under the agreement are recognized as an adjustment to interest expense. The interest rate swap agreement expires April 1, 2026. The fair value of the swap agreement approximates a liability of \$575,707 at June 30, 2008 and an asset of \$264,648 at June 30, 2007.

## WNYC Radio

### Notes to Financial Statements (continued)

#### 9. Other Income

Included in production and other income for the years ended June 30, 2008 and 2007 is approximately \$350,000 and \$465,000, respectively, pertaining to the reversal of certain trade payables previously included in accounts payable, accrued expenses and deferred revenue in the accompanying statements of financial position. These amounts were determined to no longer be statutorily payable and were therefore reversed into income.

#### 10. Pension Plans

WNYC Radio participates in a 403(b) defined contribution plan covering all employees. WNYC Radio contributed approximately \$242,000 and \$230,000 to the plan for the years ended June 30, 2008 and 2007, respectively.

WNYC Radio sponsors a 457(b) deferred compensation plan covering certain management employees. Eligible employees may elect to make voluntary deferrals of compensation. WNYC Radio may make contributions to the plan on behalf of participants. For the years ended June 30, 2008 and 2007, WNYC Radio did not make any contributions to the plan.

WNYC Radio sponsored a 457(f) deferred compensation plan covering certain employees commencing in fiscal 2008. WNYC Radio will make contributions to the plan on behalf of participants. WNYC Radio recorded expenses of approximately \$21,000 related to contributions to be made to the plan for the year ended June 30, 2008.

#### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2008</u>	<u>2007</u>
Purpose restrictions:		
Radio programs	\$ 4,773,798	\$ 1,050,886
Transmitters and other equipment	790,906	800,320
	<u>5,564,704</u>	1,851,206
Time restrictions	7,228,686	9,882,039
	<u>\$ 12,793,390</u>	<u>\$ 11,733,245</u>

Approximately \$2,176,000 and \$876,000 restricted for radio programs at June 30, 2008 and 2007, respectively, are also time restricted.

## WNYC Radio

### Notes to Financial Statements (continued)

#### 11. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from restrictions in fiscal 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Radio programs	\$ 2,058,464	\$ 1,918,413
Transmitters	200,000	200,000
Time restrictions	5,761,792	5,741,383
	<u>\$ 8,020,256</u>	<u>\$ 7,859,796</u>

#### 12. Collaborative Arrangement

WNYC Radio entered into a Co-Production agreement (the “Agreement”) with a partner in fiscal 2008 to develop, produce and distribute non-commercial public radio programming and digital content (the “Series”). Under the terms of the Agreement, WNYC Radio is responsible for the day-to-day editorial content and creative control of the Series. WNYC Radio and its partner are each required to fund 50% of any deficit amount incurred. Each of WNYC Radio and its partner also agrees to make an equal contribution to the Co-Production each fiscal year. The annual contribution may be increased or decreased from one fiscal year to the next. The term of the Agreement commences as of April 28, 2008 and, unless earlier terminated in accordance with the Agreement, continues until June 30, 2011 (the “Initial Term”). Upon the expiration of the Initial Term, the term of the Agreement will automatically renew for additional three-year periods (each, a “Renewal Term”) unless either WNYC Radio or its partner provides written notice of its intent not to renew the Agreement at least six months prior to the expiration of the Initial Term or any such Renewal Term.

WNYC Radio acted as the principal for certain revenue and expense transactions with third parties and therefore recognized these transactions on a gross basis in the accompanying financial statements. WNYC Radio recognized \$2,000,000 in temporarily restricted contributions; \$275,000 in production and other income and \$2,288,099 in various expenses on a gross basis in the accompanying statement of activities for the year ended June 30, 2008. In addition to these amounts, revenues from collaborative arrangement of \$1,917,055 are also recognized in the accompanying statement of activities for the year ended June 30, 2008 related to the portion of fiscal 2008 Series expenses for which WNYC Radio’s partner is obligated to reimburse WNYC Radio.

## WNYC Radio

### Notes to Financial Statements (continued)

#### 13. Commitments

WNYC Radio has agreements to license capacity on transmitters and lease space at the transmission facilities with third parties in New York and New Jersey. These agreements expire between March 2017 and June 2029. Total license and rent expense was \$592,000 and \$542,000 for the years ended June 30, 2008 and 2007, respectively. In March 2006, WNYC Radio entered into a noncancelable lease agreement for office space and broadcast studios in New York City for a term of 20 years. The lease term commences when the landlord completes initial work at the premises, which occurred October 1, 2006 for the majority of the rented space. The lease calls for escalation charges through the lease term and includes a rent-free period of approximately 11 months. The lease also provides WNYC Radio with the option to renew for an additional ten years provided that WNYC Radio is not in default of any of the terms of the lease agreement.

The lease agreement is secured by a standby letter of credit in the amount of approximately \$1,674,000 that expires in March 2009. Future minimum payments under these agreements as of June 30, 2008 were as follows:

	<b>License Agreements</b>	<b>Leases</b>
Year Ending June 30:		
2009	\$ 426,000	\$ 1,508,000
2010	502,000	1,516,000
2011	513,000	1,525,000
2012	525,000	1,525,000
2013	537,000	1,512,000
Thereafter	5,687,000	23,363,000
	\$ 8,190,000	\$ 30,949,000

Pursuant to SFAS No. 13, *Accounting for Leases*, the aggregate minimum lease payments under the lease agreement for office space and broadcast studios are being amortized on the straight-line basis over the term of the lease. The cumulative difference between rent expense so calculated and amounts paid in accordance with terms of the lease amounted to approximately \$1,533,000 and \$1,121,000 as of June 30, 2008 and 2007, respectively, and has been reflected as deferred rent, a liability in the accompanying statement of financial position. Under the terms of the lease agreement, WNYC Radio is reimbursed by the landlord for certain costs incurred up to approximately \$240,000. The costs incurred are included in fixed assets and are amortized over

## WNYC Radio

### Notes to Financial Statements (continued)

#### **13. Commitments (continued)**

the lesser of the lease term or the estimated useful lives of the assets. Total leasehold improvement costs incurred during the year ended June 30, 2008 amounted to \$240,000. The amount of costs incurred to be reimbursed by the landlord is recorded as a lease incentive obligation, which is amortized as a reduction of rent expense over the term of the lease. A lease incentive obligation of \$240,000 is included in other liabilities in the accompanying statement of financial position as of June 30, 2008. Total rent expense recorded under this lease agreement was approximately \$1,557,000 and \$1,126,000 for the years ended June 30, 2008 and 2007, respectively.

#### **14. Collective Bargaining Arrangement**

As of June 30, 2008, approximately 42% of WNYC Radio's non-temporary employees are covered under a collective bargaining arrangement with the American Federation of Television and Radio Artists. The collective bargaining agreement expires June 30, 2010.

#### **15. Fair Values of Financial Instruments**

The following methods and assumptions were used by WNYC Radio in estimating its fair value disclosures for financial instruments:

*Cash and cash equivalents:* The carrying amounts reported in the accompanying statements of financial position approximate fair value.

*Pledges and grants receivable:* These assets are reported at present value, which approximates fair value.

*Accounts receivable:* The carrying values of accounts receivable approximate fair value.

*Investments:* These assets consist primarily of marketable securities, which are reported at fair values based on quoted market prices.

*Cash equivalents limited as to use:* The carrying amounts reported in the accompanying statements of financial position approximate fair value.

*Due from partner in collaborative arrangement:* The carrying value of amounts due from partner in collaborative arrangement approximate fair value.

## WNYC Radio

### Notes to Financial Statements (continued)

#### 15. Fair Values of Financial Instruments (continued)

*Interest rate swap agreement:* The fair value has been calculated based on the difference between market interest rates at the date of the agreement and interest rates in effect at June 30, 2008.

*Loan payable:* The carrying value of the loan payable approximates fair value.

*Bonds payable:* The carrying amount of WNYC Radio's variable rate bonds payable approximates market.

The carrying values and fair values of WNYC Radio's financial instruments are as follows at June 30:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 38,392,892	\$ 38,392,892	\$ 22,669,996	\$22,669,996
Pledges and grants receivable	10,582,184	10,582,184	11,554,526	11,554,526
Accounts receivable	3,397,067	3,397,067	3,000,635	3,000,635
Investments	2,410,238	2,410,238	7,330,965	7,330,965
Cash equivalents limited as to use	1,587,143	1,587,143	16,385,591	16,385,591
Due from partner in collaborative arrangement	606,893	606,893	-	-
Interest rate swap agreement	(575,707)	(575,707)	264,468	264,468
Loan payable	(4,704)	(4,704)	(56,626)	(56,626)
Bonds payable	(23,000,000)	(23,000,000)	(23,000,000)	(23,000,000)

#### 16. Subsequent Event

In October 2008, Wachovia Bank, N.A., the issuer of the standby letter of credit that secures WNYC Radio's bonds payable (Note 7) and the counterparty to WNYC Radio's interest rate swap agreement (Note 8), agreed to sell its operations to another financial institution. While it is anticipated that WNYC Radio's arrangements with Wachovia will be assigned to this financial institution, it is uncertain whether this will occur or whether WNYC Radio will be required to enter into new arrangements with this or another financial institution.

# Supplemental Schedule

WNYC Radio

Schedule of Functional Expenses

Year Ended June 30, 2008

	Program Services				Supporting Services				2008	2007
	Radio Programming	Technical Operations	Marketing	Total	Fundraising (Non-Campaign)	Fundraising (Campaign)	Management and General	Total		
Salaries and benefits	\$ 11,673,801	\$ 1,587,495	\$ 1,257,751	\$ 14,519,047	\$ 3,465,052	\$ 425,315	\$ 1,193,815	\$ 5,084,182	\$ 19,603,229	\$ 16,409,251
Consultants' fees	464,206	262,681	14,631	741,518	120,243	151,757	54,036	326,036	1,067,554	768,535
Advertising and public relations	129,032	215	775,557	904,804	121,499	71,629	16,501	209,629	1,114,433	547,257
Program acquisition and production	4,339,917	-	-	4,339,917	-	-	8,969	8,969	4,348,886	4,172,189
Membership services	-	-	-	315	2,246,256	-	-	2,246,256	2,246,256	2,155,543
Professional services	641,806	18,695	22,956	683,457	91,965	233,203	412,964	738,132	1,421,589	1,336,459
Travel, entertainment and meetings	300,402	10,927	21,876	333,205	408,660	6,918	61,737	477,315	810,520	750,937
Equipment rental, repairs, maintenance and supplies	213,406	190,968	7,674	412,048	213,344	54	50,647	264,045	676,093	640,500
Office expenses	87,177	28,297	42,000	157,474	38,425	893	16,638	55,956	213,430	215,724
Bad debt expense, net of recoveries	-	-	-	-	-	-	80,725	80,725	80,725	87,392
Postage and mailing	27,083	5,724	2,974	35,781	21,887	350	6,887	29,124	64,905	78,153
Insurance	132,765	14,734	9,816	157,315	26,216	-	17,202	43,418	200,733	175,861
Rent, utilities and custodial	2,442,264	1,341,309	216,419	3,999,992	609,927	614	282,493	893,034	4,893,026	3,964,157
Financing costs	-	-	-	-	-	-	349,980	349,980	349,980	239,334
Total expenses before depreciation and amortization	20,451,859	3,461,045	2,371,654	26,284,558	7,363,474	890,733	2,552,594	10,806,801	37,091,359	31,541,292
Depreciation and amortization	127,306	271,882	9,412	408,600	25,138	-	16,496	41,634	450,234	864,762
Total expenses	\$ 20,579,165	\$ 3,732,927	\$ 2,381,066	\$ 26,693,158	\$ 7,388,612	\$ 890,733	\$ 2,569,090	\$ 10,848,435	\$ 37,541,593	\$ 32,406,054