

IOWA PUBLIC RADIO, INC.

Audited Financial Statements
for the Years Ended
June 30, 2022 and 2021 and
Independent Auditor's Report

IOWA PUBLIC RADIO, INC.

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June 30, 2022

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IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2022, 2021 and 2020

Iowa Public Radio, Inc. ("IPR") provides this Management's Discussion and Analysis as a narrative overview of the financial performance of IPR as of and for the three years ended June 30, 2022, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and footnotes that follow.

The Board of Regents, State of Iowa, established Iowa Public Radio, Inc. to manage the day-to-day operations including management, programming and technical support of the public radio operations at the three Regents' universities. This includes the stations of KUNI Radio Group ("KUNI") previously owned by the University of Northern Iowa, the stations of WOI Radio Group ("WOI") previously owned by Iowa State University and the stations of WSUI Radio Group ("WSUI") previously owned by the University of Iowa.

The Federal Communication Commission ("FCC") licenses, related broadcasting equipment and certain other assets owned by the Board of Regents' universities dedicated to the network of public radio stations in the State of Iowa were transferred to Iowa Public Radio. This transaction (the "License Transfer") closed with an effective date of June 30, 2022.

Iowa Public Radio is organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and is governed by a board of directors consisting of eighteen appointees. The president of the Board of Regents appoints fifteen community directors to represent the interests of Iowa's communities. The president at each of the Regents' universities appoints a university licensee director to represent the interests of each respective university.

The audited financial statements and footnotes of IPR should be read in conjunction with the audited financial statements and footnotes of each of the radio stations.

Iowa Public Radio enriches the civic and cultural life in Iowa through high quality news and cultural programming. IPR delivers three streams of programming statewide, bringing Iowans award-winning national programming and producing local programs that reflect Iowa's sense of place. IPR's mission will be accomplished by focusing on its goals – strengthen the impact, reach and performance of the organization in order to better serve Iowans; grow and engage audience; deliver national, international and local news and cultural programming and develop a sustainable funding model that allows the network to thrive.

Using the Audited Financial Statements

This analysis is intended to introduce the basic financial statements of IPR which consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. IPR prepares its financial statements in accordance with Governmental Accounting Standards Board ("GASB") standards. These financial statements provide information on IPR as a whole and present both a short-term and long-term view of IPR's financial position. The basic financial statements also include the Notes to the Financial Statements which further explain and provide detail about the financial statements.

The Statements of Net Position

The Statements of Net Position present the assets, liabilities and net position of IPR using the economic resources measurement focus and accrual basis of accounting. The Statements of Net Position represent the financial

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2022, 2021 and 2020

position at the end of each fiscal year. The difference between assets and liabilities – or net position – is one indicator of the current financial condition. The change in net position shown on the Statement of Revenues, Expenses and Changes in Net Position indicates whether the overall financial condition has improved during the fiscal year.

	June 30,		
	2022	2021	2020
Assets:			
Current assets	\$ 7,318,040	\$ 3,620,337	\$ 2,991,085
Non-current assets	1,122,454	1,150,955	796,303
Capital assets, net	3,632,942	337,065	278,945
Total assets	<u>\$ 12,073,436</u>	<u>\$ 5,108,357</u>	<u>\$ 4,066,333</u>
Liabilities:			
Current liabilities	\$ 1,010,520	\$ 625,760	\$ 569,228
Long-term liabilities	1,596,566	-	-
Total liabilities	<u>\$ 2,607,086</u>	<u>\$ 625,760</u>	<u>\$ 569,228</u>
Net position:			
Investment in capital assets	\$ 1,796,577	\$ 337,065	\$ 278,945
Restricted	1,587,211	908,037	655,892
Unrestricted	6,082,562	3,237,495	2,562,268
Total net position	<u>\$ 9,466,350</u>	<u>\$ 4,482,597</u>	<u>\$ 3,497,105</u>
Total liabilities and net position	<u>\$ 12,073,436</u>	<u>\$ 5,108,357</u>	<u>\$ 4,066,333</u>

Total assets at June 30, 2022 increased 136.3% to \$12,073,436 compared to total assets of \$5,108,357 at the end of the prior fiscal year. Current assets at June 30, 2022 increased 102.1% to \$7,318,040 compared to current assets of \$3,620,337 at the end of the prior fiscal year. The increase in current assets is due to increases in amount due from related party, cash and cash equivalents, underwriting receivable, prepaid expenses, inventory and accounts receivable offset by decreases in grants receivable and unconditional promises to give. Current assets at the end of fiscal year 2021 increased compared to current assets at the end of fiscal year 2020 due to increases in cash and cash equivalents, grants receivable, prepaid expenses, inventory and accounts receivable offset by decreases in underwriting receivable and unconditional promises to give.

Non-current assets at June 30, 2022 decreased 2.5% to \$1,122,454 compared to non-current assets of \$1,150,955 at the end of the prior fiscal year. The decrease in non-current assets is due to a decrease in investments offset by an increase in restricted cash and cash equivalents. Non-current assets at the end of fiscal year 2021 increased compared to non-current assets at the end of fiscal year 2020 due to increases in investments and restricted cash

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2022, 2021 and 2020

and cash equivalents.

Capital assets at June 30, 2022 increased significantly to \$3,632,942 compared to capital assets of \$337,065 at the end of the prior fiscal year. The increase in capital assets is due to the addition of assets as a result of the License Transfer, capital asset purchases and recording the right-of-use asset for leases offset by the recording of depreciation. Capital assets at the end of fiscal year 2021 increased compared to capital assets at the end of fiscal year 2020 due to capital asset purchases offset by the recording of depreciation.

Current liabilities at June 30, 2022 increased 61.5% to \$1,010,520 compared to current liabilities of \$625,760 at the end of the prior fiscal year. The increase in current liabilities is due to increases in lease liability, accounts payable and accrued compensation offset by a decrease in advance payments on underwriting agreements. Current liabilities at the end of fiscal year 2021 increased compared to current liabilities at the end of fiscal year 2020 due to an increases in accounts payable, unearned revenue and advance payments on underwriting agreements offset by a decrease in accrued compensation.

Non-current liabilities at June 30, 2022 increased significantly to \$1,596,566 compared to non-current liabilities of \$0 at the end of the prior fiscal year. The increase in non-current liabilities is due to an increase in lease liability.

Total net position at June 30, 2022 increased 111.2% to \$9,466,350 compared to total net position of \$4,482,597 at the end of the prior fiscal year. Capital assets, as referenced above, increased at June 30, 2022 compared to capital assets at the end of the prior fiscal year. Restricted assets increased at June 30, 2022 due to increases in assets restricted for programming and for endowment. Unrestricted assets increased at June 30, 2022 due to the current year income. Total net position at the end of fiscal year 2021 increased compared to the total net position at the end of fiscal year 2020.

The Statements of Revenues, Expenses and Changes In Net Position

The change in net position as presented in the Statements of Net Position is based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2022, 2021 and 2020

	For the years ended June 30,		
	2022	2021	2020
Total operating revenues	\$ 8,029,970	\$ 7,389,785	\$ 7,234,132
Total operating expenses	7,247,941	7,055,950	6,924,360
Operating income	782,029	333,835	309,772
Non-operating revenues (expenses) - net	323,160	646,640	354,630
Income before other revenues, expenses, gains and losses	1,105,189	980,475	664,402
Other revenues, expenses, gains and losses	3,878,564	5,017	5,300
Change in net position	\$ 4,983,753	\$ 985,492	\$ 669,702

Total operating revenues for the year ended June 30, 2022 increased 8.7% to \$8,029,970 compared to \$7,389,785 for the year ended June 30, 2021. Major components of operating revenues include:

- Revenue from major gifts and grants increased operating revenues by \$326,338;
- Underwriting revenue, net of allowances, increased operating revenues by \$246,884;
- Contributions, net of allowances, increased operating revenues by \$57,137;
- Online ad revenue increased operating revenues by \$16,788; and
- Revenue from special events and projects decreased operating revenues by \$6,962.

Total operating revenues for the year ended June 30, 2021 increased 2.2% to \$7,389,785 compared to \$7,234,132 for the year ended June 30, 2020. This increase was due to increases in contributions, major gifts and grants, and online ad revenue offset by decreases in underwriting revenue and revenue from special events and projects.

Total operating expenses for the year ended June 30, 2022 increased 2.7% to \$7,247,941 compared to \$7,055,950 for the year ended June 30, 2021. Major components of operating expenses include:

- Programming and production related expenses increased operating expenses by \$341,332 primarily due to increases in salaries, wages and benefits, supplies, travel, programming fees, professional services and professional development;
- Fundraising and membership development related expenses increased operating expenses by \$264,519 primarily due to increases in professional services, salaries, wages and benefits, postage, supplies, travel and professional development;
- Depreciation expense increased operating expenses by \$47,225;
- Program information and promotion related expenses decreased operating expenses by \$888 primarily due to a decrease salaries, wages and benefits offset by an increase in professional services;

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2022, 2021 and 2020

- Broadcasting and engineering related expenses decreased operating expenses by \$154,267 primarily due to decreases in supplies and salaries, wages and benefits offset by increases in repairs and maintenance, professional services, postage, telecommunications, travel and professional development; and
- Management and general related expenses decreased operating expenses by \$305,930 primarily due to decreases in contribution expense and repairs and maintenance offset by increases in professional service, salaries, wages and benefits, supplies, recruitment and professional development.

Total operating expenses for the year ended June 30, 2021 increased 1.9% to \$7,055,950 compared to \$6,924,360 for the year ended June 30, 2020. This increase was primarily due to increases in supplies, salaries, wages and benefits, repairs and maintenance, depreciation and facilities offset by decreases in contribution expense, professional services, travel, programming fees, printing, professional development and postage.

Non-operating revenues (expenses) for the year ended June 30, 2022 decreased 50.0% to \$323,160 compared to \$646,640 for the year ended June 30, 2021. This decrease is due to a decrease in investment return.

Non-operating revenues (expenses) for the year ended June 30, 2021 increased 82.3% to \$646,640 compared to \$354,630 for the year ended June 30, 2020. This increase was primarily due to an increase in investment return offset by decreases in rental revenue and state appropriation.

Total other revenues, expenses, gains and losses for the year ended June 30, 2022 increased significantly to \$3,878,564 compared to \$5,017 for the year ended June 30, 2021. This increase is due to increases in revenue related to the License Transfer and in contributions to the permanent operating endowment.

Total other revenues, expenses, gains and losses for the year ended June 30, 2021 decreased 5.3% to \$5,017 compared to \$5,300 for the year ended June 30, 2020. This decrease was due to a decrease in contributions to the permanent operating endowment.

The Statements of Cash Flows

The Statements of Cash Flows provides information about cash receipts and cash disbursements for IPR for the fiscal year.

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2022, 2021 and 2020

	For the years ended June 30,		
	2022	2021	2020
Cash provided (used) by:			
Operating activities	\$ 880,732	\$ 390,956	\$ 298,926
Non-capital financing activities	345,869	345,869	357,098
Capital financing activities	(447,994)	(136,851)	(120,836)
Investing activities	109,894	(26,047)	73,032
Net change in cash	888,501	573,927	608,220
Cash beginning of year	3,270,311	2,696,384	2,088,164
Cash end of year	\$ 4,158,812	\$ 3,270,311	\$ 2,696,384

Cash from operating activities increased to \$880,732 for the year ended June 30, 2022 compared to \$390,956 for the year ended June 30, 2021 due to increases in cash received from membership and fundraising campaigns and underwriting and a decrease in cash payments to state universities for membership and fundraising; offset by a decrease in cash received for special events and increases in cash payments to employees for salaries, wages and benefits and to suppliers for goods and services.

Cash from non-capital financing activities was consistent at \$345,869 for the years ended June 30, 2022 and 2021, due to no change in the state appropriation.

Cash from capital financing activities decreased to (\$447,994) for the year ended June 30, 2022 compared to (\$136,851) for the year ended June 30, 2021 due to an increase in the purchase of capitalized equipment.

Cash from investing activities increased to \$109,894 for the year ended June 30, 2022 compared to (\$26,047) for the year ended June 30, 2021 due to increases in cash received from the proceeds from the sale of donated securities and investment income and a decrease in the acquisition of investments.

The net increase in cash and cash equivalents is \$888,501 for the year ended June 30, 2022 compared to a net increase of \$573,927 for the year ended June 30, 2021.

Capital Assets

At June 30, 2022, capital assets totaled \$10,767,668, with accumulated depreciation of \$7,134,726, for net capital assets of \$3,632,942. At June 30, 2021, capital assets totaled \$604,844, with accumulated depreciation of \$267,779, for net capital assets of \$337,065. Depreciation charges for the year ended June 30, 2022 totaled \$125,956 compared to \$78,731 for the year ended June 30, 2021. Capital assets, net of accumulated depreciation, are as follows:

IOWA PUBLIC RADIO, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Years Ended June 30, 2022, 2021 and 2020

	For the years ended June 30,		
	2022	2021	2020
Furniture & fixtures	\$ 1,258	\$ 2,151	\$ 3,258
Equipment	1,328,375	322,679	262,523
Leasehold improvements	11,307	12,235	13,164
Studio	442,648	-	-
Right-of-use assets	1,849,354	-	-
Investment in capital assets	<u>\$ 3,632,942</u>	<u>\$ 337,065</u>	<u>\$ 278,945</u>

Economic Outlook

The management of IPR is not aware of any extraordinary items that would impact the viability of IPR going forward and IPR is fully engaged in its effort to assure its sustainability for the coming years.

Contacting Iowa Public Radio, Inc.'s Financial Management

This financial report is designed to provide users with a general overview of IPR's finances and to demonstrate accountability for the funds received. Questions regarding this report or requests for additional information should be directed to the Finance and Operations Director, Iowa Public Radio, Inc., 2111 Grand Avenue, Des Moines, IA 50312.



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Iowa Public Radio, Inc. (a nonprofit organization), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Iowa Public Radio, Inc.'s basic financial statements as listed in the table of contents.

6200 Aurora Avenue
Suite 402W
Urbandale, IA 50322-2800

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Iowa Public Radio, Inc. as of June 30, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Iowa Public Radio, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Members:

PCPS Section of the
American Institute of
Certified Public Accountants

Iowa Society of Certified
Public Accountants

Forensic Accountants
Society of North America

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Public Radio, Inc.'s ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting for error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Iowa Public Radio, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Public Radio, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 - 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Public Radio, Inc.'s basic financial statements. The schedules of functional expenses on pages 29 - 30 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, on our consideration of Iowa Public Radio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Iowa Public Radio, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iowa Public Radio, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Nearmyer & Associates, P.C." The signature is written in a cursive, flowing style.

Nearmyer & Associates, P.C.
Certified Public Accountants
Urbandale, Iowa

March 16, 2023

IOWA PUBLIC RADIO, INC.

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,151,462	\$ 3,263,781
Unconditional promises to give, less allowance for doubtful accounts; \$65 in 2022 and \$198 in 2021	582	1,782
Underwriting receivable, less allowance for doubtful accounts; \$9,906 in 2022 and \$6,408 in 2021	180,271	125,519
Accounts receivable	13,074	5,892
Due from related party	2,754,627	-
Prepaid expenses	130,113	112,632
Grants receivable	29,902	63,411
Inventory	58,009	47,320
Total current assets	<u>7,318,040</u>	<u>3,620,337</u>
Investments	1,115,105	1,144,425
Restricted cash and cash equivalents	7,349	6,530
Capital assets, net	<u>3,632,942</u>	<u>337,065</u>
Total non-current assets	<u>4,755,396</u>	<u>1,488,020</u>
Total assets	<u>\$ 12,073,436</u>	<u>\$ 5,108,357</u>
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	\$ 195,358	\$ 90,708
Lease liability	239,799	-
Advance payments on underwriting agreements	79,979	111,341
Accrued compensation	455,212	383,539
Unearned revenue	40,172	40,172
Total current liabilities	<u>1,010,520</u>	<u>625,760</u>
Lease liability - net of current portion	<u>1,596,566</u>	<u>-</u>
Total liabilities	<u>2,607,086</u>	<u>625,760</u>
Net position		
Net investment in capital assets	1,796,577	337,065
Restricted:		
Expendable		
Programming	272,724	180,328
Non-expendable		
Permanent endowment	1,314,487	727,709
Unrestricted	<u>6,082,562</u>	<u>3,237,495</u>
Total net position	<u>9,466,350</u>	<u>4,482,597</u>
Total liabilities and net position	<u>\$ 12,073,436</u>	<u>\$ 5,108,357</u>

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

IOWA PUBLIC RADIO, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2022 and 2021

<u>OPERATING REVENUES</u>	<u>2022</u>	<u>2021</u>
Contributions - net	\$ 5,168,894	\$ 5,111,757
Program underwriting - net	1,723,426	1,476,542
Major gifts and grants	1,038,349	712,011
Special events and projects	29,674	36,636
Online ad revenue	69,627	52,839
Total operating revenues	<u>8,029,970</u>	<u>7,389,785</u>
<u>OPERATING EXPENSES</u>		
Program services:		
Programming and production	1,968,903	1,627,571
Broadcasting and engineering	923,171	1,077,438
Program information and promotion	124,795	125,683
Support services:		
Management and general	2,533,461	2,839,391
Fundraising and membership development	1,571,655	1,307,136
Depreciation	<u>125,956</u>	<u>78,731</u>
Total operating expenses	<u>7,247,941</u>	<u>7,055,950</u>
Operating income	<u>782,029</u>	<u>333,835</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
State appropriations	345,669	345,669
Investment return	<u>(22,509)</u>	<u>300,971</u>
Total non-operating revenues (expenses) - net	<u>323,160</u>	<u>646,640</u>
Income before other revenues, expenses, gains and losses	1,105,189	980,475
Contributions to permanent operating endowment	16,900	5,017
License transfer revenue	<u>3,861,664</u>	<u>-</u>
Total other revenues, expenses, gains and losses	<u>3,878,564</u>	<u>5,017</u>
Change in net position	4,983,753	985,492
Net position, beginning of year	<u>4,482,597</u>	<u>3,497,105</u>
Net position, end of year	<u>\$ 9,466,350</u>	<u>\$ 4,482,597</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, 2022 and 2021

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2022</u>	<u>2021</u>
Cash received from memberships and fundraising campaigns	\$ 6,155,570	\$ 5,793,769
Cash received from program underwriting	1,704,646	1,561,910
Cash received from special events and other operating receipts	29,674	36,635
Cash payments to employees for salaries, wages and benefits	(3,853,157)	(3,656,895)
Cash payments to suppliers for goods and services	(1,656,001)	(1,469,463)
Cash payments to state universities for memberships and fundraising campaigns	(1,500,000)	(1,875,000)
Net cash flows provided by operating activities	<u>880,732</u>	<u>390,956</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from permanent operating endowment	200	200
Cash received from state appropriations	345,669	345,669
Net cash flows provided by non-capital financing activities	<u>345,869</u>	<u>345,869</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of equipment - capitalized	(447,994)	(136,851)
Net cash flows used by capital financing activities	<u>(447,994)</u>	<u>(136,851)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of donated securities	87,245	22,529
Cash received from investment income	35,967	31,436
Purchase of investments	(13,318)	(80,012)
Net cash flows provided (used) by investing activities	<u>109,894</u>	<u>(26,047)</u>
Net increase in cash and cash equivalents	888,501	573,927
Cash and cash equivalents, beginning of year	<u>3,270,311</u>	<u>2,696,384</u>
Cash and cash equivalents, end of year	<u>\$ 4,158,812</u>	<u>\$ 3,270,311</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET</u>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income	\$ 782,029	\$ 333,835
Transactions not requiring cash:		
Depreciation	125,956	78,731
Donated securities	(86,382)	(22,440)
(Increase) decrease in:		
Accounts receivable	(3,293)	(2,536)
Pledges and underwriting receivable	(53,552)	39,272
Grants receivable	33,509	(63,411)
Inventory	(10,689)	(7,188)
Prepaid expenses	(14,218)	(21,839)
Increase (decrease) in:		
Accounts payable	67,061	41,556
Advance payments on underwriting agreements	(31,362)	11,653
Salaries and wages payable	71,673	(36,849)
Unearned revenue	-	40,172
Net cash flows provided by operating activities	<u>\$ 880,732</u>	<u>\$ 390,956</u>

Concluded.

DISCLOSURE OF NON-CASH FINANCING AND INVESTING TRANSACTIONS:

Iowa Public Radio, Inc. received donated securities in the amount of \$86,382 and \$22,440 for the years ended June 30, 2022 and 2021, respectively.

Iowa Public Radio, Inc. is the owner of a paid-up life insurance policy. The cash surrender value of the policy increased \$441 and \$400 for the years ended June 30, 2022 and 2021, respectively.

Iowa Public Radio, Inc. received contributions to the Iowa Public Radio Fund at the Community Foundation of Greater Des Moines in the amount of \$16,700 and \$4,817 for the years ended June 30, 2022 and 2021, respectively.

Net unrealized gain (loss) on investments was (\$62,084) and \$265,793 for the years ended June 30, 2022 and 2021, respectively.

Iowa Public Radio, Inc. received donated equipment as part of the License Transfer in the amount of \$7,881,805 for the year ended June 30, 2022.

Accounts receivable of \$3,889, prepaid expenses of \$16,251 and accounts payable of \$37,589 were transferred to Iowa Public Radio, Inc. as part of the License Transfer for the year ended June 30, 2022.

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

IOWA PUBLIC RADIO, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Iowa Public Radio, Inc. (the "Organization") is organized as a public benefit corporation under the Revised Iowa Non-Profit 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 previously owned and licensed to the University of Northern Iowa ("UNI"), Iowa State University ("ISU") and the University of Iowa ("UI"). The state universities are divisions of the State of Iowa, governed by the Board of Regents, State of Iowa ("Board of Regents"). The Organization is governed by an eighteen 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 non-profit organizations which are operated exclusively for charitable or educational purposes.

The Organization has been determined to be a component unit of the State of Iowa. The Organization's financial statements are included in the State's Annual Comprehensive Financial Report.

Financial Statement Presentation

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

Basis of Accounting

For financial reporting purposes, the Organization is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the Organization have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Nature of Activities

The Organization is operated exclusively for charitable and educational purposes. The Organization's mission is to inform, enrich and engage Iowans through high quality news and cultural programming. The Organization delivers three streams of programming statewide, bringing Iowans award-winning national programming and producing local programs that reflect Iowa's sense of place. The Organization is primarily supported by contributions from the public.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles

("GAAP") 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.

Unconditional Promises to Give

Unconditional promises to give are periodically evaluated for collectability based on payment history with the donor, time elapsed since the pledge was received and the number of collection attempts the Organization has made. Based on these criteria, management determines an appropriate allowance for doubtful accounts. The allowance for doubtful accounts totaled \$65 and \$198 as of June 30, 2022 and 2021, respectively.

Underwriting Receivables

Underwriting receivables are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines an appropriate allowance for doubtful accounts by identifying past due accounts and by using historical experience applied to an aging of accounts. Underwriting receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The allowance for doubtful accounts totaled \$9,906 and \$6,408 as of June 30, 2022 and 2021, respectively.

Inventory

Inventory is carried at the lower of cost or market. Item costs are determined using the first-in, first-out method. Inventory, which is reported as a current asset in the Statements of Net Position, consists of merchandise held for sale and premiums. Inventory totaled \$58,009 and \$47,320 as of June 30, 2022 and 2021, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash, promises to give, underwriting receivable, accounts receivable, amount due from related party, grants receivable, prepaid expenses, inventory, accounts payable, advance payments on underwriting agreements, accrued expenses and unearned revenue approximate fair value because of the short maturity of those financial instruments.

The Organization holds certain investments that are required to be measured at fair value on a recurring basis. The financial instruments reported at fair value are classified based on the inputs used to determine the value, as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuations that require inputs that are both significant to the fair value measurement and unobservable in the market.

The Organization has the following recurring fair value measurements as of June 30, 2022:

- Long-term growth portfolio fund of \$1,101,765 is recorded at fair value based on market price obtained from an external investment manager (Level 2).

The Organization has the following recurring fair value measurements as of June 30, 2021:

- Long-term growth portfolio fund of \$1,131,526 is recorded at fair value based on market price obtained from an external investment manager (Level 2).

Capital Assets

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

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 5-10 years for furniture and fixtures, 3-10 years for equipment and 3-20 years for leasehold improvements. Depreciation expense charged to operations for the years ended June 30, 2022 and 2021 totaled \$125,956 and \$78,731, respectively.

Program Underwriting and Advance Payments on Underwriting Agreements

The Organization assumed all billing and collection activities of program underwriting for the radio stations previously licensed to the state universities. Underwriting support is treated as conditional contributions, and recognized when the conditions are met, based on the terms of the underwriting agreements, and are recognized primarily on a pro rata basis as the underwriters are acknowledged.

Leases

The Organization implemented GASB Statement No. 87, *Leases* effective June 30, 2022. This statement requires the Organization to recognize an intangible right-of-use asset and lease liability for certain leases that previously were classified as operating leases.

Short-term leases, with a term of 12 months or less, are recognized as operating expense when incurred. A right-of-use asset and lease liability are recognized for all other lease contracts. The lease liability is measured at the present value of payments expected to be made during the lease term and the right-of-use asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor in advance.

Recognition and measurement of the lease liability require management to make assumptions regarding the lease term and the discount rate used to calculate present value.

The lease term includes the initial noncancellable period of the lease, plus any renewal periods for which the Organization has a unilateral right to extend the lease and it is reasonably certain to be exercised. Periods that allow both the Organization and the lessor to terminate with notice, or that require both parties to agree in order to extend, are excluded from the lease term.

The Organization uses rates published by the U.S. Department of Treasury, including the Daily Treasury Long-Term Composite Rate and Daily Treasury Par Yield Curve Rate, to calculate the present value of lease payments. The rate selected for use varies based on the length of the lease term.

The implementation of GASB Statement No. 87, *Leases* as of June 30, 2022 resulted in an increase in the Organization's assets of \$1,849,354 and an increase in liabilities of \$1,836,365. Prior periods have not been

restated and prior and current period expense reflect operating rent expense as recognized under the previous standard.

The Organization had a single operating lease prior to the License Transfer and was assigned several leases as part of the License Transfer (see Note 11). The Organization evaluated restatement of prior and current period operating expense and determined the standard had an immaterial effect on the Statement of Revenues, Expenses and Changes in Net Position. Restatement presented additional concerns for prior and future period grant reporting to the Corporation for Public Broadcasting (“CPB”) given the change in ownership of the FCC licenses at June 30, 2022. In addition, the Organization will report in accordance with accounting principles generally accepted by the Financial Accounting Standards Board (“FASB”) effective July 1, 2022.

Net Position

The Organization’s net position is classified as follows:

Net Investment in capital assets - Capital assets, net of accumulated depreciation attributable to the acquisition, construction, or improvement of those assets; including right-of-use assets for leases, net of lease liabilities.

Restricted, expendable - Net position subject to externally imposed restrictions on use of resources either legally or contractually.

Restricted, non-expendable - Net position subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.

Unrestricted - Net position 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.

When an expense is incurred for which both restricted and unrestricted net position is available, the Organization’s policy is to first apply the expense against the restricted and then toward the unrestricted asset.

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the unconditional promise is made. Sustaining pledges are recognized as revenue when payment is received. Contributions of assets other than cash are recorded at their estimated fair value. 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.

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.

Functional Allocation of Expenses

The cost of providing program services, support services and depreciation are summarized on a functional basis in the Statements of Revenues, Expenses and Changes in Net Position and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated between program and support services on the basis of benefits received.

Advertising

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expense charged to operations for the years ended June 30, 2022 and 2021 totaled \$30,582 and \$16,951, respectively.

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.

The Organization has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The years from June 30, 2019 through current are subject to U.S. federal income tax examinations by tax authorities. The Organization has not been notified of any impending examinations by tax authorities, and no examinations are in process.

Operating and Non-Operating Activities

Operating activities generally result from the management, programming, technical support and fundraising for the radio stations previously licensed to the state universities. 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.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentations.

2. TRANSACTIONS WITH STATE UNIVERSITIES

In May, 2007, the Organization entered into a Public Service Operating Agreement ("PSOA") to manage the day-to-day operations of the radio stations on behalf of the Board of Regents and the universities consistent with FCC requirements for licensee control. The PSOA expired June 30, 2013 and was renewed by the Board of Regents through June 30, 2019 and was extended through June 30, 2020. The Organization was operating under the automatic 3-year renewal provision in the 2019 agreement. The Organization provides services to each of the universities including management, programming and technical support and serves as the primary fundraising entity. Contribution expense for operating activity for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Contribution expense		
University of Northern Iowa (Licensee: KUNI)	\$ 500,000	\$ 830,000
Iowa State University (Licensee: WOI)	500,000	470,000
University of Iowa (Licensee: KSUI)	500,000	575,000
Total contribution expense	<u>\$ 1,500,000</u>	<u>\$ 1,875,000</u>

There were no contributions payable as of June 30, 2022 and 2021.

Amount due from related party for the year ended June 30, 2022 is as follows:

	<u>UNI</u>	<u>ISU</u>	<u>UI</u>	<u>Total</u>
Due from related party				
Cash	\$ 418,511	\$ 519,735	\$ 547,369	\$ 1,485,615
Investments	-	134,668	1,134,344	1,269,012
Total due from related party	<u>\$ 418,511</u>	<u>\$ 654,403</u>	<u>\$ 1,681,713</u>	<u>\$ 2,754,627</u>

There was no amount due from related party as of June 30, 2021.

Revenue related to the License Transfer for the year ended June 30, 2022 is as follows:

	<u>UNI</u>	<u>ISU</u>	<u>UI</u>	<u>Total</u>
Due from related party				
Cash	\$ 418,511	\$ 519,735	\$ 547,369	\$ 1,485,615
Investments	-	134,668	1,134,344	1,269,012
Other items assumed in license transfer				
Accounts receivable	1,517	2,372	-	3,889
Prepaid programming	2,995	2,995	2,995	8,985
Prepaid rent & utilities	3,265	4,001	-	7,266
Accounts payable	(12,268)	(18,096)	(7,224)	(37,588)
Capital assets	456,964	399,948	267,572	1,124,484
Total license transfer revenue	<u>\$ 870,984</u>	<u>\$ 1,045,623</u>	<u>\$ 1,945,057</u>	<u>\$ 3,861,664</u>

Financial statements for the universities can be obtained from the University of Northern Iowa's Office of Business Operations, 103 Gilchrist Hall, Cedar Falls, IA 50614-0008, Iowa State University's Controller's Department, 1640 Administrative Services Building, 2221 Wanda Daley Drive, Ames, IA 50011-1004 and the University of Iowa's Controller's Office, Jessup Hall, 5 West Jefferson Street, Iowa City, IA 52242.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents of the Organization are held by Iowa State University (the "University"), Iowa State University Foundation (the "Foundation") and a local bank and consist of restricted and 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.

Investments are made in accordance with Chapter 12B.10 of the Code of Iowa and Board of Regents policy. Investments contributed to the Organization include donated securities and a life insurance policy. The donated securities are recorded at fair value on the date of the gift. The Organization sells the donated

securities upon receipt and held no securities as of June 30, 2022 and 2021. The life insurance policy is recorded at the cash surrender value.

Investments managed by the Organization include the Iowa Public Radio Operating Endowment Fund and the Second Century Fund at the Foundation and the Iowa Public Radio Fund at the Community Foundation of Greater Des Moines. Investments held by the Foundation are invested in the long-term pool. Investments held by the Community Foundation of Greater Des Moines are invested in a long-term growth portfolio.

Investments were comprised of the following as of June 30, 2022 and 2021:

	2022	2021
Investments		
Iowa Public Radio Operating Endowment	\$ 631,352	\$ 663,010
Iowa Public Radio Second Century Fund	403,148	410,348
Community Foundation of Greater Des Moines	67,265	58,168
Cash surrender value of life insurance policy	13,340	12,899
Total investments	<u>\$ 1,115,105</u>	<u>\$ 1,144,425</u>

Investments were comprised of the following balances as of June 30, 2022 and 2021:

	2022	2021
Pooled investments		
Public equity	\$ 482,840	\$ 604,421
Diversifying equity	124,140	139,537
Private equity	283,889	217,173
Fixed income	125,028	94,826
Real assets	77,662	68,822
Alternatives	8,206	6,747
Total pooled investments	1,101,765	1,131,526
Other investments		
Cash surrender value of life insurance policy	13,340	12,899
Total investments	<u>\$ 1,115,105</u>	<u>\$ 1,144,425</u>

Investment return for the years ended June 30, 2022 and 2021 is summarized as follows:

	2022	2021
Investment return		
Dividends and interest	\$ 37,795	\$ 32,679
Management fees	(338)	(272)
Net realized and unrealized gains (losses)	(59,966)	268,564
Total investment return	<u>\$ (22,509)</u>	<u>\$ 300,971</u>

The Organization's cash and cash equivalents and investments are subject to the following risks:

Interest Rate Risk

Interest rate risk is the risk that changes in rates will adversely affect the fair value of an investment.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation manages credit risk by diversification to multiple counterparties.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of June 30, 2022, the Organization's cash and cash equivalents were highly concentrated in the University and Foundation cash accounts.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the Organization may not be able to recover deposits or collateral securities. The cash accounts of the University are FDIC insured or covered by the State of Iowa Sinking Fund.

As of June 30, 2022 and 2021, the carrying amount of deposits with the Foundation totaled \$2,990,574 and \$2,331,223, respectively. The Foundation maintains deposits in various financial institutions. Deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limit per bank are swept into a collateralized overnight repurchase account with the same institution, eliminating the risk of uninsured cash balance. Therefore, there were no uncollateralized amounts in excess of the FDIC insured limit as of June 30, 2022 or 2021. The Foundation has not experienced any losses in such accounts and Foundation management believes it is not exposed to any significant credit risk.

As of June 30, 2022, the carrying amount of deposits with a local bank totaled \$614,684. The uncollateralized amount in excess of the FDIC insured limit was \$364,684.

Financial statements for the Foundation can be obtained from the Iowa State University Foundation at 2505 University Boulevard, Ames, IA 50010-2230.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are pledges made to the Organization and consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give		
Receivable in less than one year	\$ 647	\$ 1,980
Less allowance for uncollectible promises to give	(65)	(198)
Net unconditional promises to give	<u>\$ 582</u>	<u>\$ 1,782</u>

5. ENDOWMENTS

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the Organization to appropriate an amount of realized and unrealized appreciation as the Organization determines to be prudent.

The Organization's spending policy provides for quarterly distributions to the Organization limited to the spending percentage multiplied by the deemed pool value which is the greater of \$500,000 or the average market value for the prior twelve quarters. The current policy provides a spending percentage of 4.25%. Net appreciation of permanent endowment funds, which totaled \$124,527 and \$156,185 at June 30, 2022

and 2021, respectively, is recorded in restricted non-expendable net position.

6. CAPITAL ASSETS

A summary of capital assets at June 30, 2022 is as follows:

	June 30, 2021	Additions	Transfers (Note 2, 11)	Reductions	June 30, 2022
Furniture & fixtures	\$ 14,743	\$ -	\$ -	\$ 3,113	\$ 11,630
Equipment	574,477	179,872	7,090,369	13,216	7,831,502
Leasehold improvements	15,624	-	-	-	15,624
Studio	-	268,122	791,436	-	1,059,558
Right-of-use assets	-	1,849,354	-	-	1,849,354
Total	<u>604,844</u>	<u>2,297,348</u>	<u>7,881,805</u>	<u>16,329</u>	<u>10,767,668</u>
Less accumulated depreciation:					
Furniture & fixtures	12,593	892	-	3,113	10,372
Equipment	251,797	98,635	6,165,910	13,216	6,503,126
Leasehold improvements	3,389	929	-	-	4,318
Studio	-	25,500	591,410	-	616,910
Right-of-use assets	-	-	-	-	-
Total	<u>267,779</u>	<u>125,956</u>	<u>6,757,320</u>	<u>16,329</u>	<u>7,134,726</u>
Net investment in capital assets	<u>\$ 337,065</u>	<u>\$ 2,171,392</u>	<u>\$ 1,124,485</u>	<u>\$ -</u>	<u>\$ 3,632,942</u>

A summary of capital assets at June 30, 2021 is as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021
Furniture & fixtures	\$ 14,743	\$ -	\$ -	\$ 14,743
Equipment	440,780	136,851	3,154	574,477
Leasehold improvements	15,624	-	-	15,624
Total	<u>471,147</u>	<u>136,851</u>	<u>3,154</u>	<u>604,844</u>
Less accumulated depreciation:				
Furniture & fixtures	11,485	1,108	-	12,593
Equipment	178,257	76,694	3,154	251,797
Leasehold improvements	2,460	929	-	3,389
Total	<u>192,202</u>	<u>78,731</u>	<u>3,154</u>	<u>267,779</u>
Net investment in capital assets	<u>\$ 278,945</u>	<u>\$ 58,120</u>	<u>\$ -</u>	<u>\$ 337,065</u>

7. LEASE COMMITMENTS

The Organization was the lessee for the following operating lease during the fiscal year:

- A noncancellable lease for studio and administrative space in Des Moines, IA. The lease requires monthly payments of \$7,400 for years one through five and \$8,200 for years six through ten. The Organization is also responsible for property taxes, utilities, and repairs and maintenance for the building. The lease liability was measured using an interest rate of 2.98% and a final payment date of July 31, 2029. Rent expense charged to operations for the years ended June 30, 2022 and 2021 totaled \$88,800 and \$88,800, respectively. Property taxes and utilities charged to operations for the years ended June 30, 2022 and 2021 totaled \$37,476 and \$36,765, respectively.

Several leases were assigned to the Organization as part of the License Transfer (see Note 11). Right-of-use assets and lease liabilities were recognized at June 30, 2022 for the following leases assigned to the Organization and which had remaining noncancellable terms of more than 12 months:

- KNSC – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease requires annual rental payments of \$6,000. The lease liability was measured using an interest rate of 3.3% and a final payment date of July 1, 2037.
- KNSK – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease will require quarterly rental payments of \$6,522 for the next fiscal year and payments will increase by 3% annually. The lease liability was measured using an interest rate of 2.98% and a final payment date of April 30, 2027.
- KICG – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease will require monthly rental payments of \$652 through September, 2022 and payments will increase by 3% annually. The lease liability was measured using an interest rate of 3.3% and a final payment date of September 1, 2037.
- KICL – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease will require monthly rental payments of \$1,594 through September, 2022 and payments will increase by 3% annually. The lease liability was measured using an interest rate of 3.01% and a final payment date of September 30, 2026.
- KUNI – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease will require monthly rental payments of \$6,166 for the next fiscal year and payments will increase annually based on the Consumer Price Index for Urban Wage Earners and Clerical Workers. The lease liability was measured using an interest rate of 3.01% and a final payment date of December 19, 2024.
- KHKE – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease requires annual rental payments of \$550. The lease liability was measured using an interest rate of 2.99% and a final payment date of February 1, 2024.
- KNSY – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease will require monthly rental payments of \$1,256 through May, 2023 and payments will increase by 3.5% annually. The lease liability was measured using an interest rate of 2.98% and a final payment date of May 31, 2030.
- KNSB – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease will require monthly rental payments of \$1,675 through January, 2023 and payments will increase annually based on the Consumer Price Index for Urban Wage Earners and Clerical Workers for All Items. The lease liability was measured using an interest rate of 3.01% and a final payment date of January 31, 2025.
- KICJ – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower. The lease will require monthly rental payments of \$1,617 for the next fiscal year and payments will increase by 3% annually. The lease liability was measured using an interest rate of 2.98% and a final payment date of June 1, 2034.
- KICP – A noncancellable lease of ground space to operate a radio broadcast tower facility and transmitter building on the lessor’s property. The lease will require monthly rental payments of \$1,064 through May, 2023 and payments will increase by 2.4% annually. The lease liability was measured using an interest rate of 3.3% and a final payment date of May 25, 2044.

Additional lease contracts were assigned to the Organization that had a remaining noncancellable term of less than 12 months at assignment, or were in the process of renegotiation. The Organization will evaluate these contracts next year and recognize a right-of-use asset and lease liability if the renegotiated contract has a noncancellable lease term of more than 12 months.

- KNSL – A year-to-year land easement requiring annual rental payments of \$1,845. Payments will increase by 3% every three years.
- K233AA – A short-term lease to affix radio transmission equipment on the lessor’s tower. The lease automatically renews for a new 12-month period at the end of each term, unless either party provides written notice of termination. The lease will require monthly rental payments of \$1,089 through December, 2022 and payments will increase by 5% annually.
- K249EJ – A memo of understanding to affix radio transmission equipment to the owner’s tower. The memo of understanding requires annual rent payments of \$3,600.
- K271AF – A short-term lease to affix radio transmission equipment on the lessor’s tower. The lease requires annual rental payments of \$1,000.
- KSUI – A noncancellable lease to affix a radio transmission antenna on the lessor’s tower expiring June 30, 2023. The lease requires an annual rental payment and rent is increased each year by the greater of the Consumer Price Index for All Urban Consumers or 2% of the rent for the immediately preceding year. This lease has two additional five-year renewal options that require both parties to agree to before the term can be extended. The Organization will negotiate the renewal term in 2023.
- KSUI and K269EK – A year-to-year lease to affix radio transmission equipment on the lessor’s tower. The lease requires quarterly rental payments of \$1,200.

Future annual lease payments for the next five years and beyond are as follows:

<u>Year Ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2023	\$ 239,799	\$ 50,609	\$ 290,408
2024	247,754	45,683	293,437
2025	221,190	38,245	259,435
2026	182,264	32,466	214,730
2027	174,382	27,028	201,410
2028-2032	456,064	77,329	533,393
2033-2037	190,676	34,449	225,125
2038-2042	85,715	13,609	99,324
2043-2044	38,521	1,291	39,812
	<u>\$ 1,836,365</u>	<u>\$ 320,709</u>	<u>\$ 2,157,074</u>

8. COMPENSATED ABSENCES

Employees of the Organization are paid through Oasis, a Paychex Company, and accumulate vacation and sick leave. Accumulated leave, or compensated absences, is included in accrued compensation. It is the policy of the Organization to liquidate these accrued benefits under specific circumstances. Accrued vacation is paid at 100% of the employees’ hourly rate upon retirement, death or termination. As of June 30, 2022 and 2021, the amount to liquidate accrued vacation leave is approximately \$442,435 and \$375,615, respectively.

9. EMPLOYEE BENEFITS

Employees of the Organization participate in the Iowa Public Radio Defined Contribution Plan administered by Teachers Insurance and Annuity Association ("TIAA"). The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Directors establishes and amends the plan's provisions and contribution requirements. As required by IPR's policy, all eligible 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 for years 2022 and 2021, each employee through the fifth year of employment contributed 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The Organization, through the fifth year of employment, contributed 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 contributed 5% and the Organization contributed 10% on all earnings.

The Organization's required and actual contributions totaled \$270,217 and \$257,161 respectively for the years ended June 30, 2022 and 2021. The required and actual contributions of the employees totaled \$134,972 and \$128,615, respectively for the years ended June 30, 2022 and 2021.

10. RISK MANAGEMENT AND UNCERTAINTIES

The Organization is exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are subject to insurance coverage of catastrophic property, general liability, cyber liability, employee dishonesty, worker's compensation, multi-media liability and director and officers' policies. The COVID-19 outbreak of 2020 has caused business disruption. As COVID-19 continues, the related long-term financial impact and duration cannot be reasonably estimated at this time.

11. OTHER MATTERS

In October, 2020, the Organization entered into a Letter of Intent with the Board of Regents to pursue transferring the FCC licenses and certain assets related to the radio operations owned by the University of Northern Iowa, Iowa State University and the University of Iowa ("Universities") from the Universities to the Organization. The goal in pursuing this potential transaction, the License Transfer, was to protect and ensure the long-term success of the statewide network of public radio stations in the State of Iowa.

The Organization entered into an Asset Purchase Agreement with the Board of Regents, with the consent of the Universities, on March 24, 2022. The Asset Purchase Agreement outlined the purchase and sale of assets to include:

- FCC licenses, authorizations and construction permits;
- Ownership interest in real property owned by the University of Northern Iowa, Iowa State University or the University of Iowa to include towers, related support structures and underlying ground leases;
- Conditioned upon receipt of third-party consents, assignment of tower and related lease agreements;
- Equipment and tangible assets that are dedicated to and necessary for the continued operation of the radio stations;
- Other leasehold or right-to-use agreements deemed necessary for the continued operations of the radio stations; and

- The station call signs and intellectual property rights associated with such call signs, and all trademarks, trade names and service marks and other similar intangible property.

In addition to the purchase price of \$1, additional consideration included:

- During the period commencing from the closing date and continuing for 10 years, in the event the Organization should sell certain assets for monetary consideration, such consideration should be transferred to the identified university;
- The Organization shall continue to operate the stations consistent with the primary purpose of supporting the network of public radio stations and in a manner that benefits the citizens of the State of Iowa, as long as it is reasonably able to do so;
- The Organization shall continue to support students by providing educational opportunities at each of the universities through employment at the stations; and
- The Organization shall continue to provide access for Iowa Reading Information Services and Iowa's Emergency Alert Systems, or similar services or entities.

The Board of Regents, with consent of the Universities, and in conjunction with the Organization, filed Assignment of Authorization applications with the FCC on March 29, 2022 applying to assign the FCC broadcast licenses to the Organization. On April 1, 2022, the FCC accepted the applications starting the 30-day public comment period. The public comment period ended on May 2, 2022 with no public comments. On June 15, 2022, the FCC approved the Assignment of Authorization applications.

On June 30, 2022, the Organization and the Board of Regents, with consent of the Universities, executed a Bill of Sale and Assignment and Assumption Agreement which included a final Asset Purchase Agreement signifying the closing of the transaction. The Public Service Operating Agreement, the agreement under which the Organization previously managed the day-to-day operations of the stations, terminated immediately upon closing of the transaction.

On June 30, 2022, the Organization filed Notification of Consummation notices with the FCC signifying the closing of the transaction and the assignment of the FCC broadcast licenses.

On August 1, 2022, the Organization filed with the Corporation for Public Broadcasting an Application for Recognition as a Radio Community Service Grant Licensee. On September 29, 2022, Consent to Assignment Agreements were filed with CPB by the University of Northern Iowa, Iowa State University and the University of Iowa, as previous licensees of the radio stations and recipients of the community service grants associated with the transferred FCC broadcast licenses. On October 26, 2022, CPB notified the Organization it had been approved as a community licensee.

Additional information regarding the assets transferred to the Organization as a part of the License Transfer can be found in the Notes to Financial Statements including Transactions With State Universities, Capital Assets and Lease Commitments.

12. SUBSEQUENT EVENTS

In preparation for the License Transfer transaction, and in light of the Public Service Operating Agreement terminating upon close of the transaction and eliminating the Board of Regents' governance of the Organization, it was necessary for the Organization to develop a new governance structure to continue its operations.

On September 16, 2021, the Organization's Board of Directors approved a resolution which included adoption

of the Third Amended and Restated Bylaws to be effective September 30, 2022. The amended bylaws includes changes in the number, tenure and qualifications of community directors and establishes the community advisory board named the "IPR Sounding Board". The community advisory board is a requirement of the Corporation for Public Broadcasting for community licensees.

The resolution included transitional rules to include all director terms should continue until September 30, 2022, provided however at the time of the closing of the License Transfer transaction, each licensee director shall become a community director and all provisions of the Bylaws related to licensee directors shall cease to apply. The resolution also included that new directors, consistent with the Third Amended and Restated Bylaws, would be elected by the Organization's Board of Directors and new terms established.

As part of the License Transfer, the Organization entered into lease agreements with the University of Northern Iowa and the University of Iowa for office and studio space. A lease agreement with Iowa State University for office and studio space is being negotiated. Two lease agreements with Iowa State University and one with the University of Iowa are being negotiated for space on towers in which the universities retained ownership of the tower.

The Organization has evaluated events and transactions for possible adjustment or disclosure through March 16, 2023 which is the date the financial statements were available to be issued.

As of the date of this report, the Organization does not have any outstanding construction commitments.

Supplemental Information

IOWA PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services				Support Services			Depreciation	Total
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Total Support Services		
Contribution expense - stations	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000
Salaries, wages and benefits	1,768,300	658,358	84,409	2,511,067	532,318	881,445	1,413,763	-	3,924,830
Services	49,230	15,542	38,717	103,489	294,211	493,364	787,575	-	891,064
Facilities	-	-	-	-	126,276	-	126,276	-	126,276
Supplies	33,258	82,240	-	115,498	27,326	53,761	81,087	-	196,585
Printing	-	-	1,573	1,573	-	73,481	73,481	-	75,054
Prof development	2,186	700	-	2,886	2,205	3,234	5,439	-	8,325
Travel	16,054	2,155	-	18,209	1,013	3,753	4,766	-	22,975
Telecommunications	-	59,316	-	59,316	-	-	-	-	59,316
Recruitment	-	-	-	-	10,881	-	10,881	-	10,881
Postage	-	2,039	96	2,135	5,321	62,617	67,938	-	70,073
Programming fees	99,875	-	-	99,875	-	-	-	-	99,875
Depreciation	-	-	-	-	-	-	-	125,956	125,956
Repairs & maintenance	-	102,821	-	102,821	33,910	-	33,910	-	136,731
Total expenses	<u>\$ 1,968,903</u>	<u>\$ 923,171</u>	<u>\$ 124,795</u>	<u>\$ 3,016,869</u>	<u>\$ 2,533,461</u>	<u>\$ 1,571,655</u>	<u>\$ 4,105,116</u>	<u>\$ 125,956</u>	<u>\$ 7,247,941</u>

See Independent Auditor's Report.

IOWA PUBLIC RADIO, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services				Support Services			Depreciation	Total
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising & Membership Development	Total Support Services		
Contribution expense - stations	\$ -	\$ -	\$ -	\$ -	\$ 1,875,000	\$ -	\$ 1,875,000	\$ -	\$ 1,875,000
Salaries, wages and benefits	1,468,739	729,536	98,295	2,296,570	495,148	828,328	1,323,476	-	3,620,046
Services	47,431	1,766	25,779	74,976	250,273	307,961	558,234	-	633,210
Facilities	-	-	-	-	125,565	-	125,565	-	125,565
Supplies	12,470	225,969	-	238,439	8,377	49,167	57,544	-	295,983
Printing	-	-	1,578	1,578	-	72,120	72,120	-	73,698
Prof development	1,325	-	-	1,325	561	69	630	-	1,955
Travel	3,926	1,164	-	5,090	-	112	112	-	5,202
Telecommunications	-	57,625	-	57,625	-	-	-	-	57,625
Recruitment	-	-	-	-	3,015	-	3,015	-	3,015
Postage	-	-	31	31	5,275	49,379	54,654	-	54,685
Programming fees	93,680	-	-	93,680	-	-	-	-	93,680
Depreciation	-	-	-	-	-	-	-	78,731	78,731
Repairs & maintenance	-	61,378	-	61,378	76,177	-	76,177	-	137,555
Total expenses	<u>\$ 1,627,571</u>	<u>\$ 1,077,438</u>	<u>\$ 125,683</u>	<u>\$ 2,830,692</u>	<u>\$ 2,839,391</u>	<u>\$ 1,307,136</u>	<u>\$ 4,146,527</u>	<u>\$ 78,731</u>	<u>\$ 7,055,950</u>

See Independent Auditor's Report.



INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Iowa Public Radio, Inc. (a nonprofit), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, and the changes in its net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iowa Public Radio, Inc.'s internal control over financial reporting (internal control) as basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Iowa Society of Certified
Public Accountants

Forensic Accountants
Society of North America

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Nearmyer & Associates, P.C." in a cursive, flowing script.

NEARMYER & ASSOCIATES, P.C.
Certified Public Accountants
Urbandale, Iowa

March 16, 2023