




KWGS and KWTU – The University of Tulsa

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022



KWGS and KWTU – The University of Tulsa

June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
The University of Tulsa
Tulsa, Oklahoma

Opinion

We have audited the financial statements of KWGS and KWTU – The University of Tulsa (the Stations), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Stations as of June 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Stations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in *Note 1*, the accompanying financial statements of the Stations are intended to present the financial position and changes in net assets and cash flows of only that portion of activities that is attributable to the transactions of the Stations. They do not purport to, and do not, present fairly the financial position of The University of Tulsa as of June 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 the Stations' ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

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 opinion. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from 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 GAAS, 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 control 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 the Stations' 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 the Stations' 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.

FORVIS, LLP

Tulsa, Oklahoma
November 29, 2023

KWGS and KWTU – The University of Tulsa
Statements of Financial Position
June 30, 2023 and 2022

Assets

	2023	2022
Equity in pooled cash	\$ 1,838,727	\$ 1,322,677
Prepaid programming expenses	82,627	89,753
Property and equipment, net	153,234	76,450
Right of use assets – operating leases	47,532	49,933
Other assets	<u>62,522</u>	<u>58,868</u>
Total assets	<u><u>\$ 2,184,642</u></u>	<u><u>\$ 1,597,681</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 110,409	\$ 89,985
Operating lease liability	<u>39,557</u>	<u>39,557</u>
Total liabilities	<u>149,966</u>	<u>129,542</u>

Net Assets

Without donor restrictions	1,462,248	1,370,986
With donor restrictions	<u>572,428</u>	<u>97,153</u>
Total net assets	<u>2,034,676</u>	<u>1,468,139</u>
Total liabilities and net assets	<u><u>\$ 2,184,642</u></u>	<u><u>\$ 1,597,681</u></u>

KWGS and KWTU – The University of Tulsa
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
University support			
General appropriation	\$ 271,313	\$ -	\$ 271,313
Indirect administrative services	467,584	-	467,584
Subscriptions and contributions	1,060,827	463,980	1,524,807
Community service and other grants	113,338	40,216	153,554
Contributions of nonfinancial assets	124,342	-	124,342
Other	2,723	231	2,954
	<u>2,040,127</u>	<u>504,427</u>	<u>2,544,554</u>
Total revenue	2,040,127	504,427	2,544,554
Net assets released from restrictions	<u>32,806</u>	<u>(32,806)</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,072,933</u>	<u>471,621</u>	<u>2,544,554</u>
Expenses			
Program services			
Programming and production	1,029,540	-	1,029,540
Broadcasting	256,425	-	256,425
Program information	38,634	-	38,634
	<u>1,324,599</u>	<u>-</u>	<u>1,324,599</u>
Total program services	1,324,599	-	1,324,599
Support services			
Fundraising	69,541	-	69,541
Management and general	587,531	-	587,531
	<u>1,981,671</u>	<u>-</u>	<u>1,981,671</u>
Total expenses	1,981,671	-	1,981,671
Change in Net Assets from Operating Activities	<u>91,262</u>	<u>471,621</u>	<u>562,883</u>
Nonoperating Activities			
Net endowment loss in excess of income			
designated for operations	-	(3,186)	(3,186)
Contributions for endowments	<u>-</u>	<u>6,840</u>	<u>6,840</u>
Total nonoperating activities	<u>-</u>	<u>3,654</u>	<u>3,654</u>
Increase in Net Assets	91,262	475,275	566,537
Net Assets, Beginning of Year	<u>1,370,986</u>	<u>97,153</u>	<u>1,468,139</u>
Net Assets, End of Year	<u>\$ 1,462,248</u>	<u>\$ 572,428</u>	<u>\$ 2,034,676</u>

See Notes to Financial Statements

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
University support			
General appropriation	\$ 217,683	\$ -	\$ 217,683
Indirect administrative services	372,458	-	372,458
Subscriptions and contributions	1,142,666	-	1,142,666
Community service and other grants	111,207	40,322	151,529
Contributions of nonfinancial assets	99,336	-	99,336
Other	2,216	206	2,422
	<hr/>	<hr/>	<hr/>
Total revenue	1,945,566	40,528	1,986,094
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	30,304	(30,304)	-
	<hr/>	<hr/>	<hr/>
Total revenues, gains, and other support	1,975,870	10,224	1,986,094
	<hr/>	<hr/>	<hr/>
Expenses			
Program services			
Programming and production	965,405	-	965,405
Broadcasting	206,582	-	206,582
Program information	31,197	-	31,197
	<hr/>	<hr/>	<hr/>
Total program services	1,203,184	-	1,203,184
	<hr/>	<hr/>	<hr/>
Support services			
Fundraising	115,180	-	115,180
Management and general	469,463	-	469,463
	<hr/>	<hr/>	<hr/>
Total expenses	1,787,827	-	1,787,827
	<hr/>	<hr/>	<hr/>
Change in Net Assets from Operating Activities	188,043	10,224	198,267
	<hr/>	<hr/>	<hr/>
Nonoperating Activities			
Net endowment loss in excess of income designated for operations	-	(52)	(52)
Contributions for endowments	-	4,260	4,260
	<hr/>	<hr/>	<hr/>
Total nonoperating activities	-	4,208	4,208
	<hr/>	<hr/>	<hr/>
Increase in Net Assets	188,043	14,432	202,475
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	1,182,943	82,721	1,265,664
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 1,370,986</u>	<u>\$ 97,153</u>	<u>\$ 1,468,139</u>

KWGS and KWTU – The University of Tulsa
Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

	Program Services			Support Services		
	Programming and Production	Broadcasting	Program Information	Fundraising	Management and General	Total
2023						
Salaries	\$ 239,348	\$ 64,111	\$ 21,370	\$ 38,467	\$ 64,111	\$ 427,407
Fringe benefits	73,026	19,561	6,520	11,736	19,560	130,403
Supplies and general expenses	717,166	32,230	10,744	19,338	32,231	811,709
Depreciation	-	16,181	-	-	4,045	20,226
Tower rental	-	124,342	-	-	-	124,342
Indirect administrative expenses	-	-	-	-	467,584	467,584
Total	\$ 1,029,540	\$ 256,425	\$ 38,634	\$ 69,541	\$ 587,531	\$ 1,981,671
2022						
Salaries	\$ 231,269	\$ 61,947	\$ 20,649	\$ 37,168	\$ 61,947	\$ 412,980
Fringe benefits	39,757	10,649	3,550	6,389	10,649	70,994
Supplies and general expenses	694,379	20,995	6,998	71,623	20,995	814,990
Depreciation	-	13,655	-	-	3,414	17,069
Tower rental	-	99,336	-	-	-	99,336
Indirect administrative expenses	-	-	-	-	372,458	372,458
Total	\$ 965,405	\$ 206,582	\$ 31,197	\$ 115,180	\$ 469,463	\$ 1,787,827

KWGS and KWTU – The University of Tulsa
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Subscriptions and contributions received	\$ 1,524,807	\$ 1,142,666
Community service and other grants received	153,554	151,529
University support received	271,313	217,683
Other income received	2,954	2,422
Cash paid to suppliers and employees	<u>(1,345,940)</u>	<u>(1,309,559)</u>
Net cash provided by operating activities	<u>606,688</u>	<u>204,741</u>
Investing Activities		
Purchase of investments	<u>(467)</u>	<u>(4,154)</u>
Net cash used in investing activities	<u>(467)</u>	<u>(4,154)</u>
Financing Activities		
Purchase of property and equipment	(97,011)	-
Contributions received for endowment	<u>6,840</u>	<u>4,260</u>
Net cash provided by (used in) financing activities	<u>(90,171)</u>	<u>4,260</u>
Increase in Equity in Pooled Cash	516,050	204,847
Equity in Pooled Cash, Beginning of Year	<u>1,322,677</u>	<u>1,117,830</u>
Equity in Pooled Cash, End of Year	<u><u>\$ 1,838,727</u></u>	<u><u>\$ 1,322,677</u></u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities		
Increase in net assets	\$ 566,537	\$ 202,475
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	20,226	17,069
Net realized and unrealized gains and losses on endowments	(3,186)	(52)
Contributions received for endowment	(6,840)	(4,260)
Noncash operating lease expense	2,401	2,372
Changes in operating assets and liabilities		
Prepaid programming expenses and other	7,126	589
Accounts payable and accrued liabilities	<u>20,424</u>	<u>(13,452)</u>
Net cash provided by operating activities	<u><u>\$ 606,688</u></u>	<u><u>\$ 204,741</u></u>
Supplemental Cash Flows Information		
In-kind contributions	\$ 124,342	\$ 99,336
Property, plant, and equipment acquired through accounts payable	\$ 28,120	\$ -

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

KWGS and KWTU – The University of Tulsa (the Stations) are radio stations operated by The University of Tulsa (the University), a private university located in Tulsa, Oklahoma. The financial activities of the Stations are included in the financial statements of the University. The Stations are northeastern Oklahoma's National Public Radio affiliates.

Basis of Financial Statements

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. While the Stations are not separate legal entities, the accompanying financial statements of the Stations have been prepared from the separate records maintained by the University. The University provides an annual appropriation to support the direct operating expenses of the Stations and also provides indirect services for the benefit of the Stations. The accompanying financial statements may not necessarily be indicative of conditions that would have existed and the results of operations if the Stations had been operated as an unaffiliated entity. Portions of certain revenues and expenses represent allocations from the University.

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions – Net assets that are available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees of the University.

With Donor Restrictions – Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenue and Expense Recognition

The Stations receive unconditional promises to give, support from the University, grants, and in-kind contributions. Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as with donor restrictions and then released from restriction. Additionally, KOTV, a Tulsa-area television station, donates tower space to the Stations. The estimated fair value of this contributed nonfinancial asset is recorded as revenue and expense in the period received.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

Expenses are reported as decreases in net assets without donor restrictions. The costs of providing the various programs and other activities of the Stations have been summarized on a functional basis in the accompanying statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function, and certain costs have been allocated among the program, management and general, and fundraising categories based on personnel costs, square footage, or other systematic bases.

The University provides direct and indirect administrative support to the Stations. Direct support includes salaries, fringe benefits, and supplies. Indirect support represents services provided by the University, including allocated building space and other administrative services allocated to the Stations based on personnel costs, square footage, or another systematic basis.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding nearly 1,400 television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the 2021 CSG General Provisions and Eligibility Criteria as issued on October 1, 2020.

According to the *Communications Act of 1934*, as amended, CSGs may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, CSGs may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of CSGs to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record-keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs without restrictions are reported on the accompanying financial statements as program services: programming and production. The CSGs with restrictions are reported on the accompanying financial statements as increases in net assets with donor restrictions until satisfaction of the time and purpose restrictions, after which they are reported as a release from net assets with restrictions and an increase in net assets without restrictions.

CSG expenses were \$161,125 and \$125,372 for the years ended June 30, 2023 and 2022, respectively. Approximately 9% and 12% of all contribution revenue for the years ended June 30, 2023 and 2022, respectively, was representative of CSG funds received.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

Equity in Pooled Cash

The Stations participate in a cash management pool with the University. The University's cash and cash equivalents are deposited in various financial institutions. The Stations' interest in the pool is shown as equity in pooled cash on the accompanying statements of financial position.

Contributions and Contributions Receivable

Contributions are initially recorded at fair value. Unconditional promises to give are recorded net of an allowance for doubtful receivables estimated based on such factors as prior collections history, types of contributions, and the nature of the fundraising activity. Amounts due in more than one year are recorded at net realizable discounted cash flow using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue without donor restrictions.

Gifts of land, buildings, equipment, and other long-lived assets are recorded at their estimated fair value on the date of gift and reported as support without donor restrictions unless explicit donor stipulations specify how or how long the donated assets must be used, in which case the gift is reported as donor-restricted support.

Conditional promises to give are recorded when the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met.

Property and Equipment

Property and equipment are stated at cost or, if received as a gift, at estimated fair value at the date received less accumulated depreciation. Property and equipment purchases in excess of \$5,000 are capitalized. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset (5 to 10 years).

Income Taxes

The Stations are operated by the University and are not a separate legal entity. The University, including the Stations, is an organization described in Internal Revenue Code Section 501(c)(3) and is exempt from federal and state income taxes under Section 501(a) on income earned from activities related to the exempt purposes of the University. As a result, as long as the University maintains its tax exemption, it will not be subject to income tax.

Concentration

The Stations' cash balance is an allocation of the University's operating accounts, which are held on deposit at various banks. The University has certain concentrations of credit risk with financial institutions in the form of cash and time deposits that exceed Federal Deposit Insurance Corporation insurance limits. Management believes credit risk related to these balances is minimal.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

General Litigation

The Stations are subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations, and cash flows of the Stations. Events could occur that would change this estimate materially in the near term.

Subsequent Events

Subsequent events have been evaluated through November 29, 2023, which is the date the financial statements were available to be issued.

Note 2: Investments and Endowment Net Assets

At June 30, 2023 and 2022, the fair value of endowment assets consisted of \$62,522 and \$58,868, respectively, of investments. Endowment investments include perpetual endowments included in net assets with donor restrictions.

The Stations' endowments consist of two donor-restricted individual funds established for operations of the Stations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment investments of the Stations are commingled with the University's endowment funds. The Stations have not adopted an investment or spending policy and are currently operating under the University's policies, as described below.

Interpretation of Relevant Laws

The Stations interpret the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Stations classify amounts in their donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the governing body appropriates such amounts for expenditures. Most of these net assets are also subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

In accordance with UPMIFA, the Stations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Stations and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Stations
- 7) The investment policies of the Stations

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Stations to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2023 and 2022.

In accordance with the terms of donor gift instruments, the Stations are permitted to reduce the balance of several restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair value of the original amount of the gift.

Strategies Employed for Achieving Objectives

Certain of the Stations' external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the University's Board of Trustees. From time to time, the managers may enter into forward currency contracts to hedge currency exchange risk on investments in foreign securities and other future contracts to adjust asset allocation for a more efficient portfolio. The managers settle these contracts on a net basis and, accordingly, the cash requirements are substantially less than the contract amounts. Changes in the fair value of the derivative contracts are included in investment income and are not significant for the years ended June 30, 2023 and 2022.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Stations' spending policy has two components. The first component uses the previous year's spending rate and adjusts it for inflation, which is defined as the previous calendar year's Consumer Price Index increase plus 1%. This component is 70% of the calculation. The second component uses the average endowment market value as of September 30 and December 31 of the preceding year and multiplies the result by a fixed percentage. This percentage was 5% for the

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

years ended June 30, 2023 and 2022. The second component is the remaining 30% of the calculation.

In establishing this policy, the Stations considered the long-term expected return on their endowment. Accordingly, over the long term, the Stations expect the current spending policy to allow their endowment to grow at or near the inflation rate, as represented by the Consumer Price Index, before the effect of new gifts. This is consistent with the Stations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

The annual withdrawal includes amounts for operations and amounts utilized in accordance with the terms of donor-restricted endowments.

The composition of endowment net assets by type of fund as of June 30 was as follows:

	<u>With Donor Restrictions</u>
2023	
Pure endowment funds	\$ 62,522
2022	
Pure endowment funds	\$ 58,868

Changes in endowment net assets for the years ended June 30, 2023 and 2022 were:

	<u>With Donor Restrictions</u>
Endowment Net Assets, July 1, 2021	\$ 54,660
Investment return	(52)
Contributions	<u>4,260</u>
Endowment Net Assets, June 30, 2022	58,868
Investment return	(3,186)
Contributions	<u>6,840</u>
Endowment Net Assets, June 30, 2023	<u><u>\$ 62,522</u></u>

Note 3: Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

Recurring Measurements

The following table presents the Stations' assets that are measured at fair value on a recurring basis for each hierarchy level as of June 30:

	Total	Fair Value Measurements			Redemption or Liquidation	Days' Notice
		Level 1	Level 2	Level 3		
2023						
Investment in pooled funds	\$ 62,522	\$ -	\$ -	\$ 62,522	N/A	N/A
2022						
Investment in pooled funds	\$ 58,868	\$ -	\$ -	\$ 58,868	N/A	N/A

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2023 and 2022.

Investment in Pooled Funds

The pooled investments included in other assets on the accompanying statements of financial position that are reflected at net asset value are directed by the University and consist of various equity securities, fixed income securities, private equities, and hedge funds. Due to the nature of the valuation inputs, the investment in pooled funds is classified within Level 3 of the hierarchy.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2023 and 2022

Note 4: Property and Equipment

Property and equipment at June 30 consisted of:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 900,502	\$ 803,492
Less accumulated depreciation	<u>747,268</u>	<u>727,042</u>
	<u>\$ 153,234</u>	<u>\$ 76,450</u>

Note 5: Postretirement Benefit Plan

The Stations' employees participate in the University's postretirement benefit plan, which allows employees meeting age and service requirements to receive postretirement benefits in the form of unsecured coverage for themselves and their dependents until they reach the age of 70. The postretirement benefit accrual of \$28,716 and \$41,959 represents an allocation based on the Stations' employees' compensation to total University employees' compensation as of June 30, 2023 and 2022, respectively, and is included in accounts payable and accrued liabilities on the accompanying statements of financial position. There were no contributions to the postretirement benefit plan in 2023 or 2022.

Note 6: Contributed Nonfinancial Assets

For the years ended June 30, contributed nonfinancial assets recognized within the accompanying statements of activities included:

	<u>2023</u>	<u>2022</u>
Transmitter and radio tower rental	\$ 124,342	\$ 99,336

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

The contributed transmitter and tower rental are used to operate a public radio station. The Stations estimate the rental fair value, located at 9824 S. 273rd East Avenue in Broken Arrow, Oklahoma, on the basis of recent comparables in the commercial market for transmitter and tower space rentals.

Note 7: Commitments and Contingencies

The Stations conduct certain programs pursuant to grants and contracts, which are subject to audit by various outside agencies. Amounts questioned as a result of audits, if any, may result in reimbursements to these agencies. Management believes that amounts questioned, if any, will be immaterial.

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Notes to Financial Statements

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Note 8: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2023	2022
Restricted for time or purpose	\$ 519,054	\$ 50,620
Perpetual	<u>53,374</u>	<u>46,533</u>
Total net assets with donor restrictions	<u><u>\$ 572,428</u></u>	<u><u>\$ 97,153</u></u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 are designated for the following purposes:

	2023	2022
Undesignated	\$ 1,039,660	\$ 1,104,462
Designated by the Board for operating reserve	<u>422,588</u>	<u>266,524</u>
Total net assets without donor restrictions	<u><u>\$ 1,462,248</u></u>	<u><u>\$ 1,370,986</u></u>

Note 9: Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions or designations limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	2023	2022
Total financial assets	\$ 1,901,249	\$ 1,381,545
Externally imposed restrictions		
Endowment investments	62,522	58,868
Equipment fund	463,980	-
Other purpose restrictions	<u>45,926</u>	<u>38,285</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,328,821</u></u>	<u><u>\$ 1,284,392</u></u>

Although the Board of Trustees of the University designates funds for specific purposes, these amounts could be made available for general expenditures if necessary.

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The University does not have a formal liquidity policy. However, the University forecasts and monitors its future cash flows on a monthly basis in order to ensure continued prudent levels of liquidity.

Note 10: Leases

Accounting Policies

The Stations determine if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use assets and lease liabilities on the accompanying statements of financial position. Right-of-use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Stations determine lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right-of-use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Stations have made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Stations are reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Stations have elected not to record leases with an initial term of 12 months or less on the accompanying statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Stations have entered an operating lease agreement for a building space and broadcast station with the option to renew through 2035. Lease payments are currently \$3,000 per year and will increase to \$5,000 per year by the end of the lease term. Termination of the lease is prohibited unless there is a violation under the lease agreement. The lease is not a related-party lease and does not contain any material residual value guarantees or material restrictive covenants.

As of June 30, 2023, the Stations have not entered into additional operating and finance leases that have not yet commenced.

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Quantitative Disclosures

The lease cost and other required information for the years ended June 30 are:

	2023	2022
Total lease cost	\$ 3,000	\$ 3,000
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ -	\$ -
Operating lease		
Remaining lease term	13.0 years	14.0 years
Discount rate	1.20%	1.20%

Future minimum lease payments and reconciliation to the accompanying statements of financial position at June 30, 2023 are as follows:

2024	\$ -
2025	1,102
2026	3,368
2027	4,003
Thereafter	36,528
Total future undiscounted lease payments	45,001
Less interest	5,444
Operating lease liability	<u>\$ 39,557</u>

The above future minimum lease payments reflect that a portion of the lease payments are prepaid at June 30, 2023.