

Brazos Valley Public Broadcasting Foundation
(An Affiliate of Baylor University)
Financial Statements
May 31, 2025 and 2024
(With Independent Auditor's Report Thereon)

Brazos Valley Public Broadcasting Foundation
(An Affiliate of Baylor University)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Brazos Valley Public Broadcasting Foundation:

Opinion

We have audited the financial statements of Brazos Valley Public Broadcasting Foundation (the "Foundation") (an affiliate of Baylor University), which comprise the statements of financial position as of May 31, 2025 and 2024, and the related statements of activities 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 Foundation as of May 31, 2025 and 2024, 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 Foundation and to meet our 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.

Substantial Doubt About the Foundation's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 8 to the financial statements, the Foundation has suffered recurring losses from operations, has been notified of significant reductions in contribution and grant funding, and has stated that substantial doubt exists about the Foundation's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 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 Foundation'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 the Foundation'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.

August 18, 2025

Brazos Valley Public Broadcasting Foundation
(An Affiliate of Baylor University)

Statements of Financial Position

May 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 1,196,505	\$ 1,219,080
Prepaid expenses	<u>21,181</u>	<u>27,406</u>
Total current assets	1,217,686	1,246,486
Production and broadcasting equipment, net of accumulated depreciation (\$154,520 and \$153,937)	17,513	21,647
Right-of-use asset	<u>378,124</u>	<u>398,472</u>
Total assets	<u>\$ 1,613,323</u>	<u>\$ 1,666,605</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 12,012	\$ 9,205
Accrued liabilities	90,829	94,425
Current installment of lease liability	<u>20,348</u>	<u>20,348</u>
Total current liabilities	123,189	123,978
Lease liability, less current installment	<u>357,776</u>	<u>378,124</u>
Total liabilities	<u>480,965</u>	<u>502,102</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,114,845	1,142,856
Invested in production and broadcasting equipment	<u>17,513</u>	<u>21,647</u>
Total net assets	<u>1,132,358</u>	<u>1,164,503</u>
Total liabilities and net assets	<u>\$ 1,613,323</u>	<u>\$ 1,666,605</u>

See accompanying notes to financial statements.

Brazos Valley Public Broadcasting Foundation
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Statements of Activities

For the Years Ended May 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Changes in net assets without donor restrictions:		
Revenues:		
Contributions of cash, member fees and other financial assets	\$ 519,811	\$ 396,889
Contributions of nonfinancial assets	487,522	447,492
Community service grants	163,844	143,322
Telecasting and production	214,549	229,021
Total revenues	<u>1,385,726</u>	<u>1,216,724</u>
Expenses:		
Program services:		
Programming and production	373,680	383,291
Broadcasting	143,444	141,985
Public information and promotion	50,500	38,583
Total program services	<u>567,624</u>	<u>563,859</u>
Supporting services:		
Management and general	763,914	732,516
Fundraising and membership development	86,333	79,871
Total supporting services	<u>850,247</u>	<u>812,387</u>
Total expenses	<u>1,417,871</u>	<u>1,376,246</u>
Decrease in net assets without donor restrictions	(32,145)	(159,522)
Net assets, beginning of year	<u>1,164,503</u>	<u>1,324,025</u>
Net assets, end of year	<u>\$ 1,132,358</u>	<u>\$ 1,164,503</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

For the Years Ended May 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Member fees collected	\$ 350,456	\$ 220,272
Grants and other gifts collected	333,198	319,939
Telecasting and production revenue collected	214,549	229,021
Payments to suppliers and employees	<u>(920,778)</u>	<u>(927,322)</u>
Net cash used in operating activities	<u>(22,575)</u>	<u>(158,090)</u>
Cash flows from investing activities:		
Purchase of equipment	<u>-</u>	<u>(8,950)</u>
Net cash used in investing activities	<u>-</u>	<u>(8,950)</u>
Net decrease in cash	(22,575)	(167,040)
Cash at beginning of year	<u>1,219,080</u>	<u>1,386,120</u>
Cash at end of year	<u><u>\$ 1,196,505</u></u>	<u><u>\$ 1,219,080</u></u>

See accompanying notes to financial statements.

Brazos Valley Public Broadcasting Foundation
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Notes to Financial Statements

May 31, 2025 and 2024

(1) Description of the Foundation

Brazos Valley Public Broadcasting Foundation (the “Foundation”) operates a public radio station (KWBU-FM) to serve the Central Texas area. The Foundation operates as a membership form of corporation organized under the Texas Non-Profit Corporation Act. Baylor University (“Baylor”) is the only member of the Foundation. As the only member of the Foundation, Baylor has all voting interest of the Foundation, and Baylor's Board of Regents has authorized the President of Baylor University to elect the Foundation's Board of Directors. The Foundation provides services to Baylor, such as marketing programs and events for various departments. These services and contributions from Baylor comprise a significant portion of the Foundation's revenues.

(2) Summary of Significant Accounting Policies

The Foundation maintains the accounting records in conformity with the *Principles of Accounting and Financial Reporting for Public Telecommunications Entities* mandated by the Corporation for Public Broadcasting. The accounting policies used by the Foundation generally conform to accounting principles generally accepted in the United States of America.

(a) Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting.

(b) Pledges

The Foundation engages in fund-raising campaigns through its radio station. The campaigns' fund-raising appeals are conducted on air as well as by mail. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the public broadcaster for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. However, uncollected pledges are intentions to give, rather than promises, and are not shown as assets in the statements of financial position.

Brazos Valley Public Broadcasting Foundation
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Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(c) Production and Broadcasting Equipment

Production and broadcasting equipment are recorded at cost or, in the case of donated equipment, at estimated fair value as of the date of receipt, based on the Foundation's policy of capitalizing assets greater than \$5,000. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated lives of such assets range between five and twenty years. Depreciation expense was \$4,134 and \$6,481 for the years ended May 31, 2025 and 2024, respectively.

(d) Revenues and Expenses

Contributions received and unconditional promises to give are measured at their fair values as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a 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 statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as changes in net assets without donor restrictions. There were no net assets with donor restrictions for the years ended May 31, 2025 and 2024.

The Foundation reports gifts of goods and equipment as changes in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long long-lived assets must be maintained, the Foundation reports expirations of those donor restrictions when the donated or acquired long-lived assets are placed in service.

Brazos Valley Public Broadcasting Foundation
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Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(e) Donated Materials, Services and Support

A substantial number of volunteers have donated hours to the Foundation's program services during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (such as legal and accounting services) of \$147,922 and \$150,719 are included in the statements of activities at their fair value for the years ended May 31, 2025 and 2024, respectively. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

The Foundation receives contributed nonfinancial assets. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. For the years ended May 31, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2025</u>	<u>2024</u>
Services	\$ 295,307	\$ 269,527
Supplies	112,410	100,054
Occupancy	<u>79,805</u>	<u>77,911</u>
	<u>\$ 487,522</u>	<u>\$ 447,492</u>

Contributed services and supplies are valued from actual payroll costs or actual invoices received, which are comparable to current rates for similar services and products. The contributed occupancy spaces are used for general and administrative activities and equipment locations and are valued at fair value on the basis of recent comparable market prices.

Brazos Valley Public Broadcasting Foundation
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Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(e) Donated Materials, Services and Support (continued)

Total in-kind contributions, principally donated personal services and office and studio space, for the years ended May 31, 2025 and 2024, are reflected in the following:

	<u>2025</u>	<u>2024</u>
Revenues:		
Contributions of nonfinancial assets	\$ <u>487,522</u>	\$ <u>447,492</u>
Total revenues	\$ <u><u>487,522</u></u>	\$ <u><u>447,492</u></u>
Expenses:		
Programming and production	\$ 9,656	\$ 11,934
Broadcasting	36,213	33,631
Public information and promotion	50,500	38,583
Management and general	384,363	360,271
Fundraising and membership development	<u>6,790</u>	<u>3,073</u>
Total expenses	\$ <u><u>487,522</u></u>	\$ <u><u>447,492</u></u>

(f) Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation is exempt from federal income tax, except on activities unrelated to its exempt purposes, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for the years ended May 31, 2025 and 2024.

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Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(g) Expenses by Functional Classification

While the statement of activities presents expenses by functional classification, the Foundation's expenses by natural classification for the year ended May 31, 2025 are as follows:

	2025					
	Programming and production	Broadcasting	Public information and promotion	Management and general	Fundraising and membership development	Total
Salaries and wages	\$ 161,345	\$ -	\$ -	\$ 497,295	\$ 51,868	\$ 710,508
Employee benefits	21,577	-	-	66,940	14,869	103,386
Operating expenses	190,758	124,310	50,500	257,807	19,596	642,971
Depreciation	-	4,134	-	-	-	4,134
Other	-	15,000	-	(58,128)	-	(43,128)
Total expenses	\$ 373,680	\$ 143,444	\$ 50,500	\$ 763,914	\$ 86,333	\$ 1,417,871

The Foundation's expenses by natural classification for the year ended May 31, 2024 are as follows:

	2024					
	Programming and production	Broadcasting	Public information and promotion	Management and general	Fundraising and membership development	Total
Salaries and wages	\$ 155,753	\$ -	\$ -	\$ 471,655	\$ 50,357	\$ 677,765
Employee benefits	29,277	-	-	63,816	11,331	104,424
Operating expenses	195,814	122,951	38,583	269,165	18,183	644,696
Depreciation	2,447	4,034	-	-	-	6,481
Other	-	15,000	-	(72,120)	-	(57,120)
Total expenses	\$ 383,291	\$ 141,985	\$ 38,583	\$ 732,516	\$ 79,871	\$ 1,376,246

The costs of providing the various program services and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received. Expenses, such as salaries and wages, employee benefits, operating expenses (such as programming and non-payroll in-kind expenses), depreciation, and other have been allocated among the functional categories either directly, based on time and effort, square footage, or other functional expenses, depending on the type of expense being allocated.

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Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Advertising Costs

Advertising costs are expensed in the period in which they are incurred. Advertising costs of \$6,194 and \$20,169 were incurred for the years ended May 31, 2025 and 2024, respectively.

(i) Use of Estimates

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

(3) Operating Lease

Leases are classified as operating leases at the lease commencement date. Lease expense for operating leases and short-term leases (leases with original lease terms of twelve months or less) is recognized on a straight-line basis over the lease term. 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. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Foundation includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Foundation will exercise the option. In addition, the Foundation has elected to not recognize short-term leases on the Foundation's statements of financial position.

The Foundation uses an incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known.

The Foundation has one operating lease for radio tower space used in its operations that expired December 2023 and renewed to December 2033, with renewal terms of one additional period of ten years. Rent expense for the operating lease for 2025 and 2024 was \$29,391 and \$28,535, respectively.

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Notes to Financial Statements
(Continued)

(3) Operating Lease (continued)

Total lease liability for the year ended May 31, 2025 is reflected in the following:

<u>Maturity</u>	<u>2025</u>
2026	\$ 30,273
2027	31,181
2028	32,117
2029	33,080
2030	34,073
Thereafter	<u>577,798</u>
Total undiscounted lease payments	738,522
Less: discount	<u>(360,398)</u>
Total lease liability	<u><u>\$ 378,124</u></u>

The remaining lease term (in years) and discount rate for the lease liability at May 31, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Remaining lease term (years)	18.58	19.58
Discount rate	4.81%	4.81%

(4) Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual community service grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to 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 Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization. As of May 31, 2025, all grant funds received have been fully expended.

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

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Notes to Financial Statements
(Continued)

(4) Corporation for Public Broadcasting Community Service Grants (continued)

Certain general provisions of the CSGs must be satisfied in connection with application for and use of the grants 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 Foundation recognized CSGs of \$163,844 and \$143,322 from the CPB during the years ended May 31, 2025 and 2024, respectively. CSGs are considered unconditional contributions since no direct value or specific performance is required from the Foundation in exchange.

(5) Concentration of Revenues

The Foundation relies heavily on donations, in-kind contributions and CSGs as the major source of operating revenues. Additionally, as discussed in Notes 1 and 6, Baylor provides a significant portion of revenue for the Foundation. As further described in Note 8, the Foundation will no longer receive CSGs from CPB and a significant portion of cash contributions and telecasting and production revenue from Baylor beginning in fiscal year 2026.

(6) Related Party Transactions

Baylor provides a significant portion of the Foundation's revenue. Donated materials, services and support include \$427,003 and \$402,669 contributed by Baylor in 2025 and 2024, respectively. In addition, Baylor provided \$159,101 and \$170,601 of other contributions in 2025 and 2024, respectively. Also, telecasting and production revenue includes \$126,954 and \$130,530 for services provided to Baylor in 2025 and 2024, respectively. Subsequent to year end and as further described in Notes 5 and 8, Baylor ceased a significant portion of cash contributions and telecasting and production revenue to the Foundation.

(7) Availability and Liquidity

The Foundation's financial assets available to meet cash needs for general expenditure within one year consists of the cash balance of \$1,196,505 and \$1,219,080 as of May 31, 2025 and 2024, respectively.

The Foundation maintains cash available to meet general expenditures over the next twelve months in a pooled operating account with Baylor at a financial institution.

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Notes to Financial Statements
(Continued)

(8) Subsequent Events

Effective June 1, 2025, Baylor ceased a significant portion of cash contributions and telecasting and production revenue to the Foundation. Further, on August 1, 2025, CPB announced it had been defunded by Congress and will cease operations in 2026 resulting in no further CSGs to the Foundation after fiscal year 2025. The loss of these significant sources of revenue along with net losses reported in fiscal years 2024 and 2025 raises substantial doubt about the Foundation's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Foundation is unable to continue as a going concern. Management is actively working to increase memberships through pledge drives and special events for major donors to offset the lost revenues.

The Foundation has evaluated subsequent events through August 18, 2025, the date when financial statements were issued, and concluded that there were no other material subsequent events requiring adjustment or disclosure.