

KWGS and KWTU – The University of Tulsa

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



KWGS and KWTU – The University of Tulsa
June 30, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
The University of Tulsa
Tulsa, Oklahoma

We have audited the accompanying financial statements of KWGS and KWTU – The University of Tulsa (the Stations), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stations as of June 30, 2019 and 2018, 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.

Emphasis of Matters

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, 2019 and 2018, 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.

As described in *Note 1* to the financial statements, in 2019, the Stations adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

BKD, LLP

Tulsa, Oklahoma
November 26, 2019

KWGS and KWTU – The University of Tulsa
Statements of Financial Position
June 30, 2019 and 2018

Assets

	2019	2018
Equity in pooled cash	\$ 550,111	\$ 631,295
Contributions receivable	9,527	13,952
Prepaid programming expenses	66,778	83,042
Property and equipment, net	126,734	148,014
Other assets	33,124	26,593
Total assets	\$ 786,274	\$ 902,896

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 81,086	\$ 83,558
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Net Assets

Without donor restrictions	642,491	789,074
With donor restrictions	62,697	30,264
Total net assets	705,188	819,338
Total liabilities and net assets	\$ 786,274	\$ 902,896

KWGS and KWTU – The University of Tulsa
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, Gains and Other Support			
University support			
General appropriation	\$ 306,854	\$ -	\$ 306,854
Indirect administrative services	127,863	-	127,863
Subscriptions and contributions	1,004,152	20,000	1,024,152
Community service and other grants	106,593	38,491	145,084
In-kind contributions	106,237	-	106,237
Other	1,273	361	1,634
	<u>1,652,972</u>	<u>58,852</u>	<u>1,711,824</u>
Total revenue			
	1,652,972	58,852	1,711,824
Net assets released from restrictions	<u>32,949</u>	<u>(32,949)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,685,921</u>	<u>25,903</u>	<u>1,711,824</u>
Expenses			
Program services			
Programming and production	1,166,591	-	1,166,591
Broadcasting	243,365	-	243,365
Program information	37,465	-	37,465
	<u>1,447,421</u>	<u>-</u>	<u>1,447,421</u>
Total program services			
	1,447,421	-	1,447,421
Support services			
Fundraising	138,525	-	138,525
Management and general	246,558	-	246,558
	<u>1,832,504</u>	<u>-</u>	<u>1,832,504</u>
Total expenses			
	1,832,504	-	1,832,504
Change in Net Assets from Operating Activities	<u>(146,583)</u>	<u>25,903</u>	<u>(120,680)</u>
Nonoperating Activities			
Net endowment gains in excess of income designated for operations	-	835	835
Gifts for endowments	-	5,695	5,695
	<u>-</u>	<u>6,530</u>	<u>6,530</u>
Total nonoperating activities			
	-	6,530	6,530
Increase (Decrease) in Net Assets	(146,583)	32,433	(114,150)
Net Assets, Beginning of Year	<u>789,074</u>	<u>30,264</u>	<u>819,338</u>
Net Assets, End of Year	<u>\$ 642,491</u>	<u>\$ 62,697</u>	<u>\$ 705,188</u>

See Notes to Financial Statements

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, Gains and Other Support			
University support			
General appropriation	\$ 293,536	\$ -	\$ 293,536
Indirect administrative services	120,965	-	120,965
Subscriptions and contributions	1,074,341	-	1,074,341
Community service and other grants	99,023	35,210	134,233
In-kind contributions	100,336	-	100,336
Other	777	266	1,043
	<u>1,688,978</u>	<u>35,476</u>	<u>1,724,454</u>
Total revenue			
	1,688,978	35,476	1,724,454
Net assets released from restrictions	<u>40,040</u>	<u>(40,040)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,729,018</u>	<u>(4,564)</u>	<u>1,724,454</u>
Expenses			
Program services			
Programming and production	1,073,051	-	1,073,051
Broadcasting	225,400	-	225,400
Program information	34,619	-	34,619
	<u>1,333,070</u>	<u>-</u>	<u>1,333,070</u>
Total program services			
	1,333,070	-	1,333,070
Support services			
Fundraising	133,740	-	133,740
Management and general	230,124	-	230,124
	<u>1,696,934</u>	<u>-</u>	<u>1,696,934</u>
Total expenses			
	1,696,934	-	1,696,934
Change in Net Assets from Operating Activities	<u>32,084</u>	<u>(4,564)</u>	<u>27,520</u>
Nonoperating Activities			
Net endowment gains in excess of income designated for operations	-	435	435
Gifts for endowments	-	11,345	11,345
	<u>-</u>	<u>11,780</u>	<u>11,780</u>
Total nonoperating activities			
	-	11,780	11,780
Increase in Net Assets	32,084	7,216	39,300
Net Assets, Beginning of Year	<u>756,990</u>	<u>23,048</u>	<u>780,038</u>
Net Assets, End of Year	<u>\$ 789,074</u>	<u>\$ 30,264</u>	<u>\$ 819,338</u>

KWGS and KWTU – The University of Tulsa
Statement of Functional Expenses
Year Ended June 30, 2019

	2019							2018 Total
	Program Services			Support Services				
	Programming and Production	Broadcasting	Program Information	Fundraising	Management and General	Total		
Salaries	\$ 264,069	\$ 70,733	\$ 23,578	\$ 42,440	\$ 70,734	\$ 471,554	\$ 471,505	
Fringe benefits	93,345	25,003	8,334	15,002	25,003	166,687	132,938	
Supplies and general expenses	809,177	16,658	5,553	81,083	16,658	929,129	844,682	
Depreciation	-	24,734	-	-	6,183	30,917	26,508	
Tower rental	-	100,336	-	-	-	100,336	100,336	
Indirect administrative expenses	-	-	-	-	127,863	127,863	120,965	
Other	-	5,901	-	-	117	6,018	-	
Total	\$ 1,166,591	\$ 243,365	\$ 37,465	\$ 138,525	\$ 246,558	\$ 1,832,504	\$ 1,696,934	

KWGS and KWTU – The University of Tulsa
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Subscriptions and contributions received	\$ 1,028,577	\$ 1,078,557
Community service and other grants received	145,084	134,233
University support received	306,854	293,536
Other income received	1,634	1,043
Cash paid to suppliers and employees	(1,552,743)	(1,453,200)
Net cash provided by (used in) operating activities	(70,594)	54,169
Investing Activities		
Investment income	835	435
Purchase of investments	(7,365)	(12,215)
Net cash used in investing activities	(6,530)	(11,780)
Financing Activities		
Purchase of property and equipment	(9,755)	(81,107)
Contributions received for endowment	5,695	11,345
Net cash used in financing activities	(4,060)	(69,762)
Decrease in Equity in Pooled Cash	(81,184)	(27,373)
Equity in Pooled Cash, Beginning of Year	631,295	658,668
Equity in Pooled Cash, End of Year	\$ 550,111	\$ 631,295
Reconciliation of Increase (Decrease) in Net Assets to Net Cash		
Provided by (Used in) Operating Activities		
Increase (decrease) in net assets	\$ (114,150)	\$ 39,300
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	30,917	26,508
Loss on disposal of assets	117	-
Contributions received for endowment	(5,695)	(11,345)
Changes in operating assets and liabilities		
Contributions receivable	4,425	4,216
Prepaid programming expenses and other	16,264	(5,703)
Accounts payable and accrued liabilities	(2,472)	1,193
Net cash provided by (used in) operating activities	\$ (70,594)	\$ 54,169

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2019 and 2018

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 and offer students opportunities to experience broadcasting in actual work settings.

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 restriction 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

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Notes to Financial Statements

June 30, 2019 and 2018

estimated fair value of this in-kind contribution is recorded as revenue and expense in the period received.

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 2019 CSG General Provisions and Eligibility Criteria as issued on October 1, 2018.

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 \$101,967 and \$135,420 for the years ended June 30, 2019 and 2018, respectively.

Approximately 9% and 10% of all contribution revenue for the years ended June 30, 2019 and 2018, respectively, was representative of CSG funds expended.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2019 and 2018

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.

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.

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.

Revisions

Certain revisions have been made to the 2018 statement of cash flows. In prior financial statements, the University support received was overstated by \$120,965 and cash paid to suppliers and employees was overstated by \$120,965. There was no change to the net cash provided by operating activities. These revisions did not have an impact on the statement of financial position.

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
June 30, 2019 and 2018

Subsequent Events

Subsequent events have been evaluated through November 26, 2019, which is the date the financial statements were available to be issued.

Changes in Accounting Principles

Not-for-Profit Reporting

In 2019, the Stations adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

Adoption of ASU 2016-14 had no impact on previously reported total change in net assets.

Contributions Received and Made

On July 1, 2018, the Stations adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective approach to all contribution and grant agreements either not completed or entered into after the effective date.

ASU 2018-08 was issued to help entities in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions or if the transactions are considered reciprocal and should be accounted for as exchange transactions (under Accounting Standards Codification 606). Additionally, ASU 2018-08 assists in determining whether a contribution is conditional or unconditional.

Adoption of ASU 2018-08 had no impact on the financial statements.

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
June 30, 2019 and 2018

Note 2: Property and Equipment

Property and equipment at June 30 consists of:

	2019	2018
Equipment	\$ 843,360	\$ 980,037
Less accumulated depreciation and amortization	716,626	832,023
	\$ 126,734	\$ 148,014

Note 3: 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 \$45,019 and \$42,417 represents an allocation based on the Stations' employees' compensation to total University employees' compensation as of June 30, 2019 and 2018, respectively, and is included in accounts payable and accrued liabilities on the accompanying statements of financial position. The Stations recorded postretirement benefit expense of \$22,882 for the years ended June 30, 2019 and 2018.

Note 4: 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.

Note 5: Net Assets

Net Assets with Donor Restrictions

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

	2019	2018
Restricted for time or purpose	\$ 32,168	\$ 5,430
Perpetual	30,529	24,834
Total net assets with donor restrictions	\$ 62,697	\$ 30,264

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
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Net Assets Without Donor Restrictions

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

	2019	2018
Undesignated	\$ 569,854	\$ 712,964
Designated by the Board for operating reserve	72,637	76,110
Total net assets without donor restrictions	\$ 642,491	\$ 789,074

Note 6: 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, 2019, comprise the following:

Total financial assets	\$ 592,762
Externally imposed restrictions	
Endowment investments	33,124
Other purpose restrictions	4,082
Restricted CPB funds	25,491
Total financial assets available to meet cash needs for general expenditures within one year	\$ 530,065

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

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.