

Brazos Valley Public Broadcasting Foundation
(An Affiliate of Baylor University)
Financial Statements
May 31, 2023 and 2022
(With Independent Auditor's Report Thereon)

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

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 – 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 14



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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, 2023 and 2022, 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, 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 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.

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 25, 2023

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

Statements of Financial Position

May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 1,386,120	\$ 1,275,192
Prepaid expenses	<u>27,379</u>	<u>45,566</u>
Total current assets	1,413,499	1,320,758
Production and broadcasting equipment, net of accumulated depreciation (\$147,456 and \$140,473, respectively)	19,178	17,596
Right-of-use asset	<u>418,820</u>	<u>439,168</u>
Total assets	<u>\$ 1,851,497</u>	<u>\$ 1,777,522</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 36,802	\$ 8,140
Accrued liabilities	71,850	67,097
Current installment of lease liability	<u>20,348</u>	<u>20,348</u>
Total current liabilities	129,000	95,585
Lease liability, less current installment	<u>398,472</u>	<u>418,820</u>
Total liabilities	<u>527,472</u>	<u>514,405</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,304,847	1,245,521
Invested in production and broadcasting equipment	<u>19,178</u>	<u>17,596</u>
Total net assets	<u>1,324,025</u>	<u>1,263,117</u>
Total liabilities and net assets	<u>\$ 1,851,497</u>	<u>\$ 1,777,522</u>

See accompanying notes to financial statements.

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

Statements of Activities

For the Years Ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Revenues:		
Contributions of cash, member fees, and other financial assets	\$ 429,798	\$ 428,715
Contributions of nonfinancial assets	446,269	421,801
Community service grants	136,282	130,294
Telecasting and production	241,098	260,014
Total revenues	<u>1,253,447</u>	<u>1,240,824</u>
Expenses:		
Program services:		
Programming and production	300,248	304,903
Broadcasting	130,613	128,131
Public information and promotion	33,362	29,709
Total program expenses	<u>464,223</u>	<u>462,743</u>
Supporting services:		
Management and general	641,576	620,127
Fundraising and membership development	86,740	92,517
Total supporting expenses	<u>728,316</u>	<u>712,644</u>
Total expenses	<u>1,192,539</u>	<u>1,175,387</u>
Increase in net assets without donor restrictions	60,908	65,437
Net assets, beginning of year	<u>1,263,117</u>	<u>1,197,680</u>
Net assets, end of year	<u>\$ 1,324,025</u>	<u>\$ 1,263,117</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the Years Ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Member fees collected	\$ 238,157	\$ 234,405
Grants and other gifts collected	327,923	324,604
Telecasting and production revenue collected	241,098	260,014
Payments to suppliers and employees	<u>(687,685)</u>	<u>(779,786)</u>
Net cash provided by operating activities	<u>119,493</u>	<u>39,237</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(8,565)</u>	<u>-</u>
Net cash used in investing activities	<u>(8,565)</u>	<u>-</u>
Net increase in cash	110,928	39,237
Cash at beginning of year	<u>1,275,192</u>	<u>1,235,955</u>
Cash at end of year	<u><u>\$ 1,386,120</u></u>	<u><u>\$ 1,275,192</u></u>

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

Notes to Financial Statements

May 31, 2023 and 2022

(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
(An Affiliate of Baylor University)

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 \$6,983 and \$8,409 for the years ended May 31, 2023 and 2022, 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, 2023 and 2022.

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
(An Affiliate of Baylor University)

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 \$138,004 and \$129,676 are included in the statements of activities at their fair value for the years ended May 31, 2023 and 2022, 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, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Services	\$ 256,547	\$ 238,633
Supplies	97,358	90,804
Occupancy	<u>92,364</u>	<u>92,364</u>
	<u>\$ 446,269</u>	<u>\$ 421,801</u>

Contributed services and supplies are valued from 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
(An Affiliate of Baylor University)

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 personnel services and office and studio space, for the years ended May 31, 2023 and 2022, are reflected in the following:

	<u>2023</u>	<u>2022</u>
Revenues:		
Contributions of nonfinancial assets	\$ 446,269	\$ 421,801
Total revenues	<u>\$ 446,269</u>	<u>\$ 421,801</u>
Expenses:		
Programming and production	\$ 14,960	\$ 14,960
Broadcasting	34,598	34,261
Public information and promotion	33,362	29,709
Management and general	348,326	328,347
Fundraising and membership development	<u>15,023</u>	<u>14,524</u>
Total expenses	<u>\$ 446,269</u>	<u>\$ 421,801</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, 2023 and 2022.

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

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, 2023 are as follows:

	2023					
	Programming and production	Broadcasting	Public information and promotion	Management and general	Fundraising and membership development	Total
Salaries and wages	\$ 93,142	\$ -	\$ -	\$ 423,303	\$ 45,339	\$ 561,784
Employee benefits	13,194	-	-	57,820	14,606	85,620
Operating expenses	190,133	112,409	33,362	190,836	26,795	553,535
Depreciation	3,779	3,204	-	-	-	6,983
Other	-	15,000	-	(30,383)	-	(15,383)
Total expenses	\$ 300,248	\$ 130,613	\$ 33,362	\$ 641,576	\$ 86,740	\$ 1,192,539

The Foundation's expenses by natural classification for the year ended May 31, 2022 are as follows:

	2022					
	Programmin g and production	Broadcasting	Public information and promotion	Management and general	Fundraising and membership development	Total
Salaries and wages	\$ 102,496	\$ -	\$ -	\$ 389,310	\$ 43,803	\$ 535,609
Employee benefits	13,442	-	-	58,351	13,520	85,313
Operating expenses	183,522	110,165	29,709	175,727	35,194	534,317
Depreciation	5,443	2,966	-	-	-	8,409
Other	-	15,000	-	(3,261)	-	11,739
Total expenses	\$ 304,903	\$ 128,131	\$ 29,709	\$ 620,127	\$ 92,517	\$ 1,175,387

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.

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

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 \$4,254 and \$2,629 were incurred for the years ended May 31, 2023 and 2022, 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. Significant items subject to such estimates and assumptions include the determination of useful lives of equipment and interest rate assumption for the lease liability. Actual results could differ from those estimates.

(3) Operating Lease

The Foundation elected the following practical expedients under ASU No. 2016-02, *Leases* (Topic 842) and subsequent amendments thereto in the year of adoption:

- An entity need not reassess whether any expired or existing contracts are or contain leases.
- An entity need not reassess the lease classification for any expired or existing leases.
- An entity need not reassess initial direct costs for any existing leases.

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 leases with original lease terms of twelve months or less (short-term leases) on the Foundation's statements of financial position.

Leases are classified as operating leases at the lease commencement date. Lease expense for operating leases and short-term leases 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.

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

Notes to Financial Statements
(Continued)

(3) Operating Lease (continued)

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 expires December 2023 with renewal terms of two additional periods of ten years each which are reasonably certain to be exercised. Rent expense for the operating lease for 2023 and 2022 was \$27,704 and \$24,042, respectively.

Total lease liability for the year ended May 31, 2023 is reflected in the following:

<u>Maturity</u>	<u>2023</u>
2024	\$ 28,535
2025	29,391
2026	30,273
2027	31,181
2028	32,117
Thereafter	<u>644,952</u>
Total undiscounted lease payments	796,449
Less: discount	<u>(377,629)</u>
Total lease liability	<u><u>\$ 418,820</u></u>

The remaining lease term (in years) and discount rate for the lease liability at May 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Remaining lease term (years)	20.58	21.58
Discount rate	4.81%	4.81%

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

Notes to Financial Statements
(Continued)

(4) Corporation for Public Broadcasting Community Service Grants and Stabilization Funds

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.

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.

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 \$136,282 and \$130,294 from the CPB during the years ended May 31, 2023 and 2022, 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. Due to uncertain allocation of funds by Congress to the CPB, the overall effects, if any, on future funding provided to the Foundation by the CPB cannot be determined at this time. Additionally, as discussed in Notes 1 and 6, Baylor provides a significant portion of revenue for the Foundation.

(6) Related Party Transactions

Baylor provides a significant portion of the Foundation's revenue. Donated materials, services and support include \$406,167 and \$385,852 contributed by Baylor in 2023 and 2022, respectively. In addition, Baylor provided \$182,101 of other contributions in 2023 and 2022. Also, telecasting and production revenue includes \$129,966 and \$131,114 for services provided to Baylor in 2023 and 2022, respectively.

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

Notes to Financial Statements
(Continued)

(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 \$1,386,120 and \$1,275,192 as of May 31, 2023 and 2022, 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.

(8) Subsequent Events

The Foundation has evaluated subsequent events through August 25, 2023, the date when financial statements were issued, and concluded that there were no material subsequent events requiring adjustment or disclosure.