



# Iowa Public Radio, Inc.

Audited Financial Statements for the Year Ended June 30, 2023  
And Independent Auditor's Report

# IOWA PUBLIC RADIO, INC.

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June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Iowa Public Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Public Radio, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **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.

#### *Members:*

PCPS Section of the  
American Institute of  
Certified Public Accountants

Iowa Society of Certified  
Public Accountants

Forensic Accountants  
Society of North America

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Public Radio, Inc.'s ability to continue as a going concern within one year after the date that the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting 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 generally accepted auditing standards, we:

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

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

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

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

October 5, 2023

# IOWA PUBLIC RADIO, INC.

## Statement of Financial Position As of June 30, 2023

	<u>2023</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 5,959,354
Accounts receivable	22,154
Grants receivable	26,461
Underwriting receivable, net	186,902
Unconditional promises to give, net	656,127
Prepaid expenses	199,185
Inventory	60,251
Total current assets	<u>7,110,434</u>
PROPERTY AND EQUIPMENT, NET	<u>1,773,174</u>
RIGHT OF USE ASSETS	<u>1,917,903</u>
OTHER ASSETS	
Investments	150,001
Restricted cash and cash equivalents	2,235,989
Unconditional promises to give, net	998,322
Endowment investments	1,295,889
Endowment unconditional promises to give	382,000
Total other assets	<u>5,062,201</u>
Total assets	<u><u>\$ 15,863,712</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 190,249
Current portion of lease liability	424,373
Deferred underwriting revenue	96,528
Refundable advances	155,099
Accrued compensated absences	504,068
Total current liabilities	<u>1,370,317</u>
NONCURRENT LIABILITIES	
Lease liability - net of current portion	<u>1,544,671</u>
Total liabilities	<u>2,914,988</u>
NET ASSETS	
Without donor restrictions	7,756,073
With donor restrictions	5,192,651
Total net assets	<u>12,948,724</u>
Total liabilities and net assets	<u><u>\$ 15,863,712</u></u>

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

# IOWA PUBLIC RADIO, INC.

## Statement of Activities For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND GAINS</b>			
Contributions and memberships	\$ 4,782,227	\$ 4,650	\$ 4,786,877
Major gifts and grants	978,444	125,316	1,103,760
Campaign contributions	107,387	3,598,182	3,705,569
Underwriting and digital sponsorships	1,855,335	-	1,855,335
Corporation for Public Broadcasting grants	1,242,557	-	1,242,557
Special events	16,729	-	16,729
Other income	40,509	-	40,509
Investment return, net	36,145	37,706	73,851
Net assets released from restrictions	160,414	(160,414)	-
Total revenue, support and gains	9,219,747	3,605,440	12,825,187
<b>EXPENSES AND OTHER</b>			
Program services expense			
Programming and production	4,080,930	-	4,080,930
Broadcasting and engineering	2,233,623	-	2,233,623
Program information and promotion	161,732	-	161,732
Total program services expense	6,476,285	-	6,476,285
Support services expense			
Management and general	1,061,265	-	1,061,265
Fundraising and underwriting	1,780,310	-	1,780,310
Total support services expense	2,841,575	-	2,841,575
Total expenses	9,317,860	-	9,317,860
Loss on uncollectible underwriting	2,555	-	2,555
License transfer loss of endowment	22,398	-	22,398
Total expenses and other	9,342,813	-	9,342,813
Change in net assets	(123,066)	3,605,440	3,482,374
Net assets - beginning of year	7,879,139	1,587,211	9,466,350
Net assets - end of year	\$ 7,756,073	\$ 5,192,651	\$ 12,948,724

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

## IOWA PUBLIC RADIO, INC.

### Statement of Functional Expenses For the Year Ended June 30, 2023

	Program Services				Support Services			
	Programming and Production	Broadcasting and Engineering	Program Information & Promotion	Total Program Services	Management and General	Fundraising and Underwriting	Total Support Services	Total
Salaries and benefits	\$ 2,392,427	\$ 826,395	\$ 96,503	\$ 3,315,325	\$ 545,975	\$ 935,662	\$ 1,481,637	\$ 4,796,962
Travel	38,619	11,263	1,212	51,094	4,376	11,250	15,626	66,720
Supplies	32,130	160,521	-	192,651	21,942	99,059	121,001	313,652
Services	182,250	10,940	62,670	255,860	304,253	209,612	513,865	769,725
Fundraising	-	-	-	-	-	369,248	369,248	369,248
Recruitment	-	-	-	-	7,897	-	7,897	7,897
Printing	-	-	1,347	1,347	180	61,435	61,615	62,962
Postage	-	562	-	562	5,073	36,025	41,098	41,660
Repairs and maintenance	98	161,659	-	161,757	32,340	-	32,340	194,097
Telecommunications	200	208,772	-	208,972	-	-	-	208,972
Programming fees	1,229,312	-	-	1,229,312	-	-	-	1,229,312
Facilities	110,106	694,678	-	804,784	17,401	52,151	69,552	874,336
Professional development	4,504	-	-	4,504	3,787	5,868	9,655	14,159
Depreciation	91,284	158,833	-	250,117	118,041	-	118,041	368,158
Total expenses	<u>\$ 4,080,930</u>	<u>\$ 2,233,623</u>	<u>\$ 161,732</u>	<u>\$ 6,476,285</u>	<u>\$ 1,061,265</u>	<u>\$ 1,780,310</u>	<u>\$ 2,841,575</u>	<u>\$ 9,317,860</u>

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

# IOWA PUBLIC RADIO, INC.

## Statement of Cash Flows For the Year Ended June 30, 2023

	<u>2023</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Cash received from contributions and memberships	\$ 4,780,005
Cash received from major gifts and grants	1,091,486
Cash received from campaign contributions, net of contributions restricted for endowment	1,450,321
Cash received from underwriting and digital sponsorships	1,870,883
Cash received from Corporation for Public Broadcasting	1,364,216
Cash received from special events and other income	55,196
Cash received from interest and dividends	58,172
Cash payments to employees for salaries and benefits	(4,745,558)
Cash payments to suppliers for goods and services	(4,172,813)
Net cash flows provided by operating activities	<u>1,751,908</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Purchases of property and equipment	(357,744)
Purchases of investment	(15,193)
Proceeds from the license transfer	2,597,560
Net cash flows provided by investing activities	<u>2,224,623</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>	
Cash received from contributions restricted for endowment	60,000
Net cash flows provided by financing activities	<u>60,000</u>
Net change in cash, cash equivalents and restricted cash	4,036,531
Cash, cash equivalents and restricted cash - beginning of year	<u>4,158,812</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 8,195,343</u>

Continued.....

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



# IOWA PUBLIC RADIO, INC.

## Statement of Cash Flows For the Year Ended June 30, 2023

	<u>2023</u>
<b><u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET</u></b>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Change in net assets	\$ 3,482,374
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	368,158
Contributions restricted to endowment	(606,650)
Contributions received directly in investment account	(1,602)
Unrealized gains on operating investments	(442)
Increase in CSV of life insurance policy	(375)
Donor-restricted endowment net investment return, net of interest allocated for current period expenditure	(13,855)
License transfer loss of endowment	22,398
(Increase) decrease in operating assets:	
Accounts receivable	(9,080)
Grants receivable	3,441
Underwriting receivable	(6,631)
Unconditional promises to give	(1,653,867)
Prepaid expenses	(69,072)
Inventory	(2,242)
Right of use assets	(68,549)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(5,109)
Deferred underwriting revenue	16,549
Refundable advance	114,927
Accrued compensated absences	48,856
Lease liability	132,679
Net cash flows provided by operating activities	<u>\$ 1,751,908</u>

Concluded.

### DISCLOSURE OF NON-CASH FINANCING AND INVESTING TRANSACTIONS:

Endowment contributions added to investment fund by donors	\$ 164,650
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*The accompanying notes are an integral part of these financial statements.*

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Iowa Public Radio, Inc. (the Organization) is organized as a public benefit corporation under the Revised Iowa Non-Profit Corporation Act, chapter 504 of the Code of Iowa. The Organization was initially established by the Board of Regents, State of Iowa, to manage the operations of the public radio stations owned by the Regents' universities – Iowa State University, the University of Northern Iowa and the University of Iowa. The Federal Communication Commission (FCC) licenses, related broadcasting equipment and certain other assets owned by the Regents' universities were transferred to the Organization (the license transfer) with an effective date of June 30, 2022. In 2022, the Organization became owners of the statewide public radio network as a community licensee.

The Organization is organized exclusively for charitable and educational purposes within the meaning of Section of 501(c)(3) of the Internal Revenue Code of 1986 and is governed by a board consisting of eighteen community directors. As a community licensee, the Organization is also advised by a community advisory board to ensure it serves the educational and cultural needs of Iowans.

The Organization's mission is to enrich the civic and cultural life in Iowa through high-quality news and cultural programming. The Organization's statewide network includes three programming streams – News, News/Studio One and Classical – broadcasting from 26 stations that reach the State of Iowa and beyond serving more than 206,000 listeners weekly. The award-winning programming is also available via the website, podcasts, email newsletters and mobile app.

More than 80% of the Organization's funding comes from individuals, businesses and organizations in local communities across the State of Iowa.

#### Change in Presentation

The Organization's financial statements were historically prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Effective July 1, 2022, the Organization's financial statements were prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in conformity with U.S. generally accepted accounting principles. Assets and liabilities have been presented in order of liquidity. Net assets, revenues, expenses, and gains and losses have been classified based on the existence or absence of donor-imposed restrictions. The Organization's net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor-imposed restrictions. The board of directors has designated, from net assets without donor restrictions, a portion of net assets from all unrestricted estate or bequest gifts received, for the Second Century Fund, a board-designated endowment fund.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Contributions of cash or other assets to be used to acquire buildings and equipment are reported as revenues within the net assets with donor restrictions asset class. The restrictions are considered to be released at the time of acquisition of such long-lived asset.

### **Cash, Cash Equivalents and Restricted Cash**

All cash, money market funds and highly liquid instruments with original maturities of three months or less are considered cash and cash equivalents. Cash and highly liquid instruments restricted to capital projects, endowments that are perpetual in nature, or other long-term purposes are excluded from the definition of cash and are reported in the statement of financial position as restricted cash and cash equivalents.

Following is a reconciliation of cash, cash equivalents and restricted cash as reported within the statement of financial position and the statement of cash flows:

	<u>2023</u>
Cash and cash equivalents	<u>\$ 5,959,354</u>
Restricted cash and cash equivalents	
Cash for donor-restricted endowment	647,983
Cash for board-designated endowment	245,072
Cash for campaign initiatives	<u>1,342,934</u>
Total restricted cash and cash equivalents	<u>2,235,989</u>
Total cash, cash equivalents and restricted cash	<u><u>\$ 8,195,343</u></u>

### **Receivables and Credit Policies**

Receivables consist of noninterest-bearing amounts due for underwriting, grants, and other operating activities. Accounts receivable and grants receivable are reported at the amount management expects to collect from balances outstanding at year-end. Based on management's historical experience and review of subsequent collections, an allowance for doubtful accounts was not considered necessary for accounts receivable or grants receivable.

Underwriting receivables are stated at original invoice amount less an estimate made for doubtful accounts. Management determines an appropriate allowance by identifying past due accounts and using historical collections experience applied to an aging of account balances. Underwriting receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recognized when received. The allowance for uncollectible underwriting receivable totaled \$8,448 as of June 30, 2023.

### **Promises to Give**

The Organization records unconditional promises to give due within the next year at net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their future cash flows using a discount rate of 4.13%. US Treasury Daily Curve Yield rates are used as a discount rate that approximates the risk-free interest rate at the time of the pledge. Amortization of the discounts is included in contribution revenue in the statement of activities in subsequent years.

# **IOWA PUBLIC RADIO, INC.**

## **Notes to Financial Statements**

**As of and for the Year Ended June 30, 2023**

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The Organization determines an allowance for uncollectible promises to give based on payment history with the donor, time elapsed since the pledge was received, and the number of collection attempts the Organization has made. Promises to give are written off when deemed uncollectible. The allowance for uncollectible promises to give totaled \$134 at June 30, 2023.

### **Inventory**

Inventory is stated at the lower of cost or market determined by the first-in first-out method, and consists of merchandise held for sale and premium items used in fundraising.

### **Property and Equipment**

The Organization capitalizes expenditures for property and equipment with a cost of at least \$1,000 and an estimated useful life of greater than one year. Property and equipment are recorded at cost at the date of acquisition, or if donated, at fair value on the date of donation. Improvements to leased property are charged to operations in the year in which the expense is incurred unless the improvement is significant and determined to meet the capitalization policy. Cost of repairs and maintenance that do not improve or extend the useful lives of the respective assets are charged to operations in the year in which the expense is incurred.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, generally 5-10 years for furniture and fixtures, 3-15 years for equipment, 20-30 years for buildings and towers and the lesser of 20 years or the remaining lease term for leasehold improvements.

### **Investments**

Investments are recorded at cost on the date of purchase, or at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. The Organization sells donated securities upon receipt and held no securities as of June 30, 2023. The investment in a life insurance policy is reported at the cash surrender value. Net investment return (loss) consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The Organization has operating investments, a board-designated endowment and a donor-restricted endowment invested in the long-term pool at the Iowa State University Foundation (ISU Foundation). The Organization has donor-restricted endowments invested in the long-term growth portfolio at the Community Foundation of Greater Des Moines (Community Foundation). The Organization has operating investments at the University of Iowa Foundation (UI Foundation) invested short-term investments. The pooled investments are managed at the discretion of the ISU Foundation, the Community Foundation and the UI Foundation. The Organization is entitled to quarterly or annual spending distributions from each investment, with spending rates ranging from 3.5% to 5%. Distributions are reported as net assets released from restrictions in the period the distributions are used for their intended purpose. The Organization's investment in pooled assets is reported at fair value based on the market price obtained from external investment managers.

### **Leases**

The Organization determines if an agreement is a lease at inception. Both classifications of leases, operating and financing, are reported in the statement of financial position as right of use (ROU) assets and lease liabilities. The Organization leases office and studio space and broadcast transmission sites. Right of use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's 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 present value of lease payments over the lease term. Lease terms include options to extend or terminate the lease when it is reasonably certain the Organization will exercise the option. The Organization has determined that available lease term extensions are reasonably certain to be exercised for broadcast transmission sites, but not for office and studio space. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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The Organization elected the short-term lease exemption to not recognize the ROU asset and lease liability for all leases with a term of 12 months or less. Lease payments for short-term leases are recognized as expense when incurred.

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

### **Financial Instruments and Credit Risk**

The Organization maintains checking and money market accounts at financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 per institution. Deposits in excess of the FDIC insured limit are swept into a collateralized overnight repurchase account with the same financial institution, eliminating the risk of uninsured cash balances.

### **Revenue Recognition**

**Contributions and Major Gifts** – Contributions are recognized as revenue when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not included as support until the conditions on which they depend are substantially met. Sustaining donations are recognized when payment is received. Contributions of assets other than cash are recorded at their estimated fair value.

**Grants and Corporation for Public Broadcasting** – The Organization receives both general operating grants and cost reimbursement grants. Operating grants are recognized as revenue when cash or an unconditional promise to give is received. Revenue from the Corporation for Public Broadcasting (CPB) community service grants are recognized when awarded and any unspent portion of the current year award is reported as an increase in net assets with donor restrictions. Cost reimbursement grants are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant revisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received an additional \$284,942 in grants that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred, with advanced payments of \$155,099 recognized in the statement of financial position as a refundable advance.

**Campaign Contributions** – Contributions are recognized as revenue when cash, securities, other assets or an unconditional promise to give is received. Campaign contributions are restricted by the donor for a specific campaign initiative, 1) journalism excellence, 2) next generation radio, 3) endowment, or undesignated general campaign donations that can be used to fulfill any of the campaign priorities or cover campaign related expenses. Campaign donations are reported as increases in net assets with donor restrictions. Net assets will be released from restrictions when expenditures are incurred for the specific campaign initiative or when undesignated contributions are allocated for endowment by the board of directors.

**Underwriting and Digital Sponsorships** – The Organization receives conditional support from underwriters who are acknowledged with on-air messaging during the Organization's programming. Underwriting support is recognized over the term of the related underwriting contract as performance obligations are satisfied, based on when the on-air acknowledgements occur. Digital sponsorships are sold for advertising space on the Organization's website, in newsletters or podcasts. Digital sponsorships are recognized as revenue over the term of the related contract as performance obligations are satisfied, based on digital impressions used on the website and spots placed in podcasts. Payments for underwriting or digital

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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sponsorships received in advance of the performance obligations being satisfied are reported as deferred underwriting revenue in the statement of financial position.

**Special Events** – Special events includes revenue from sponsorships and ticket sales. Sponsorships are comprised of a contribution element and an exchange element based on the value of benefit provided. The Organization recognizes revenue from sponsorships, both the exchange and contribution portions, when the event being sponsored takes place. Sponsorships collected in advance of an event are refundable to the sponsor if the event is not held. Ticket sales are recognized as revenue at the time of admission.

**Other Income** – Other income consists of the sale of branded merchandise, rent and miscellaneous other receipts. Revenue from the sale of branded merchandise is recognized when goods are shipped to the customer. Merchandise sales are ordinarily fulfilled the same day cash is received from the customer. Rent is recognized as revenue based on the terms of the lease agreement, or as space and services are provided for hourly studio rental. Lease agreements for rental income are all short-term agreements, with terms of 12 months or less. Other miscellaneous receipts are recognized as revenue when services are performed or when the product is provided.

**Investment Return** – Interest and dividend income are recognized when earned. Realized gains and losses are recognized when investments are sold. Unrealized gains and losses represent the change in fair value between reporting periods.

**Contributed Services and Nonfinancial Assets** – Contributed nonfinancial assets include donated professional services, donated equipment and other in-kind contributions which are recorded at the fair value of the goods or services received. In addition to contributed nonfinancial assets, volunteers assist the Organization with fundraising and other events throughout that year, but their services have not been recognized as contributions in the financial statements because the criteria for recognition was not met. No significant contributions of goods or services were received for the year ended June 30, 2023.

### **Functional Allocation of Expenses**

The cost of providing program and support services are summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between program and support services based on benefits received. Facilities are allocated based the percentage of space used for program or support functions. Depreciation is allocated based on the function primarily served by each major category of depreciable assets.

### **Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs totaled \$25,329 for the year ended June 30, 2023.

### **Income Taxes**

The Organization is an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), qualifying for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation.

The Organization was engaged in activities that are unrelated to its tax-exempt purpose, including the sale of branded merchandise and digital sponsorships. These activities could result in unrelated business income tax, and no estimated tax expense was recorded for the year ended June 30, 2023.

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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The Organization has evaluated its tax positions for all open tax years and has determined there are no uncertain tax positions that require recognition. The statute of limitations on the Organization's U.S. federal returns remains open for the years ended June 30, 2020 through the present.

### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

### Subsequent Events

The Organization has evaluated subsequent events through October 5, 2023, the date the financial statements were available to be issued.

## 2. LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the statement of financial position date for general expenditure are comprised of the following:

	2023
Cash and cash equivalents	\$ 5,959,354
Accounts receivable	22,154
Grants receivable	26,461
Underwriting receivable, net	186,902
Unconditional promises to give, net	656,127
	6,850,998
Less: amounts restricted by donor	(654,926)
Financial assets available for expenditure	<u>\$ 6,196,072</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, and therefore, is not available for general expenditure.

The Organization has a board-designated endowment of \$663,839 as of June 30, 2023. The board-designated endowment allows for a spending distribution of 3.5%. Spending distributions are reinvested in periods where cash balances are sufficient to cover operating expenses. Although the Organization does not intend to spend from the board-designated endowment these funds could be made available if necessary.

As part of a liquidity management plan, the Organization invests cash in excess of daily requirements in a money market fund. The Organization's goal is generally to maintain cash and cash equivalents on hand to meet three months of normal operating expenses, \$750,000 per month on average.

## 3. FAIR VALUE

The Organization follows the established framework for measuring fair value in accordance with GAAP. Accordingly, certain investments and other assets reported at fair value are classified based on the inputs used to determine the value, as follows:

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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Level 1 – valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – valuation that requires inputs that are both significant to the fair value measurement and unobservable in the market.

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses, accounts payable, deferred underwriting revenue and refundable advances approximates fair value because of the short maturity of those financial instruments, and are considered to fall within Level 1 of the fair value hierarchy. The carrying amount of promises to give are based on the discounted net present value of expected future cash receipts and approximates fair value. The carrying amount of lease liabilities are based on discounted cash flows using risk-free rates and approximate fair value. These estimates are considered to fall within Level 2 of the fair value hierarchy.

Fair value estimates for investments and endowment investments are made at a specific time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value of pooled investments held by external parties is based on the values obtained from external investment managers.

Financial assets measured at fair value on a recurring basis as of June 30, 2023 are as follows:

	<u>2023</u>
	<u>Level 3</u>
Investments:	
Investments held by ISU Foundation	\$ 134,684
Investments held by UI Foundation	1,602
CSV of life insurance policy	<u>13,715</u>
Total investments	<u>150,001</u>
Endowment Investments:	
Board-designated endowment held by ISU Foundation	418,767
Operating endowment held by ISU Foundation	631,427
Endowment held by Community Foundation	<u>245,695</u>
Total endowment investments	<u>1,295,889</u>
Total	<u>\$ 1,445,890</u>



# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

Following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2023:

	Investments	Endowments	Total
Balance at June 30, 2022	\$ 148,008	\$ 1,101,765	\$ 1,249,773
Purchases / contributions	2,304	179,843	182,147
Investment return, net	5,479	53,730	59,209
Distributions	(5,790)	(39,449)	(45,239)
Balance at June 30, 2023	<u>\$ 150,001</u>	<u>\$ 1,295,889</u>	<u>\$ 1,445,890</u>

### Risks and Uncertainties

The Organization's financial instruments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain financial instruments, it is reasonably possible that changes in the values of financial instruments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Organization's investments were highly concentrated in the ISU Foundation long-term pool. The ISU Foundation manages credit risk by diversification to multiple counterparties. Financial statements for the ISU Foundation can be obtained from the ISU Foundation at 2505 University Boulevard, Ames, IA 50010-2230.

## 4. PROMISES TO GIVE

Unconditional promises to give are comprised of the following as of June 30, 2023:

	2023
General membership donations	\$ 1,335
Campaign donations	<u>2,208,500</u>
	2,209,835
Less: discount to present value at 4.13%	(173,252)
Less: allowance for uncollectible promises to give	<u>(134)</u>
Total unconditional promises to give	<u>\$ 2,036,449</u>
Amount due in:	
Less than one year	\$ 948,527
One to five years	<u>1,087,922</u>
	<u>\$ 2,036,449</u>

As of June 30, 2023, six donors accounted for approximately 57% of the total unconditional promises to give. For the year ended June 30, 2023, six donors accounted for approximately 37% of the campaign contributions.

The Organization has received notification of deferred gifts totaling approximately \$6 million as of June 30, 2023, primarily in the form of revocable wills and bequests. These are considered conditional pledges and will not be recorded in the financial statements until the conditions are met.

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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### 5. INVESTMENTS

Investment and endowment investments are comprised of the following as of June 30, 2023:

	<u>2023</u>
Interest in pooled investments	
Public equity	\$ 702,098
Diversifying equity	130,337
Private equity	300,586
Fixed income	156,816
Real assets	112,972
Alternatives	27,518
Cash and cash equivalents	<u>1,848</u>
Total interest in pooled investments	1,432,175
Other investments	
CSV of life insurance policy	<u>13,715</u>
Total investments and endowed investments	<u><u>\$ 1,445,890</u></u>

Investment return for the year ended June 30, 2023 is as follows:

	<u>2023</u>
Dividends and interest	\$ 61,157
Net realized gains (losses)	977
Net unrealized gains (losses)	12,260
Investment management fees	<u>(543)</u>
Total investment return, net	<u><u>\$ 73,851</u></u>

### 6. ENDOWMENTS

The Organization's endowment consists of donor-restricted gifts (net assets with restrictions) plus certain net assets without donor restrictions that have been designated for endowment by the board of directors.

The board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (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 Organization will retain in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors when making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purpose of the Organization and the endowment fund
- General economic conditions

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

The Organization has adopted an investment approach for endowment assets that attempts to provide a predictable stream of funding for programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The Organization has invested endowment assets in the long-term pool as the ISU Foundation. The stated investment objective of the ISU Foundation's investment policy is to attain an average annual real total return (net of all investment related fees) in excess of total expenditures (spending and overhead expenses), as measured over rolling ten-year periods.

From time to time, certain donor-restricted endowment funds may have a fair value less than the amount required to be maintained by the donor or by law. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Organization had no underwater endowment funds as of June 30, 2023.

The Organization's spending policy provides for quarterly distributions to be expended in accordance with applicable donor-restricted purposes. The current spending rate ranges from 3.5% to 5% of the average fair value of the endowments over the preceding 12 quarters.

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	2023		
	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 484,766	\$ 1,340,267	\$ 1,825,033
Contributions	163,049	606,650	769,699
Investment return:			
Interest and dividends	15,598	26,461	42,059
Net appreciation (realized and unrealized)	426	11,784	12,210
Investment management fees	-	(539)	(539)
Total investment return	16,024	37,706	53,730
Appropriated for expenditure	-	(55,120)	(55,120)
Other earnings and adjustments	-	(22,398)	(22,398)
Endowment net assets - end of year	<u>\$ 663,839</u>	<u>\$ 1,907,105</u>	<u>\$ 2,570,944</u>

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

Endowment net assets are comprised of the following as of June 30, 2023:

	2023		
	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 663,839	\$ -	\$ 663,839
Donor-restricted endowment funds:			
Original gift amount required to be maintained in perpetuity by donor	-	1,533,719	1,533,719
Accumulated gains subject to endowment spending policy and appropriation	-	373,386	373,386
Total endowment net assets	<u>\$ 663,839</u>	<u>\$ 1,907,105</u>	<u>\$ 2,570,944</u>

## 7. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of June 30, 2023:

	2023
Broadcast and transmission equipment	\$ 6,611,575
Studio and production equipment	1,178,664
Office and network equipment	860,475
Vehicles	112,599
Furniture and fixtures	11,630
Leasehold improvements	15,624
Construction in process - WOI transmitter	115,125
	<u>8,905,692</u>
Accumulated depreciation	<u>(7,132,518)</u>
Property and equipment, net	<u>\$ 1,773,174</u>

A significant portion of the broadcast and transmission equipment and studio and production equipment was purchased when the stations were under the ownership of the Board of Regents, and the three state universities in Iowa. The Organization entered into an asset purchase agreement with the Board of Regents in 2022 to transfer the broadcast licenses and associated equipment to the Organization. Under the terms of the agreement, during the period commencing on June 30, 2022 and continuing for 10 years, in the event the Organization sells certain assets for monetary consideration, the proceeds from the sale should be transferred back to the identified university the asset originated from.

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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### 8. LEASES

The Organization leases office and studio space and broadcast transmission sites under non-cancelable lease agreements. Lease terms expire at various dates through 2044, which includes renewal options ranging from 3-25 years that are reasonably certain to be exercised for broadcast transmission sites.

The Organization uses rates published by the U.S. Department of Treasury, a risk-free rate, to calculate the present value of lease payments and the weighted-average discount rate. The Organization has applied the risk-free rate option to office, studio and broadcast transmission site leases.

Certain broadcast transmission site leases call for an annual or periodic increase based on an index rate rather than a fixed percentage. The Organization recognizes additional variable lease cost in years where the index rate increase is greater than the estimated increase included in the initial measurement of the lease liability.

The Organization's lease agreements do not contain any material guaranteed residual values or financial covenants. The Organization is generally required to pay separately for real estate taxes, utilities, maintenance and other related non-rental costs.

Right of use assets and lease liabilities as of June 30, 2023 are as follows:

	<u>2023</u>
Right of use assets:	
Operating leases	\$ 1,917,903
Finance leases	-
Total right of use assets	<u>\$ 1,917,903</u>
Lease liability:	
Current	
Operating leases	\$ 424,373
Finance leases	-
Noncurrent	
Operating leases	<u>1,544,671</u>
Total lease liability	<u>\$ 1,969,044</u>

**IOWA PUBLIC RADIO, INC.****Notes to Financial Statements****As of and for the Year Ended June 30, 2023**

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Quantitative information concerning the Organization's leases for the year ended June 30, 2023 are as follows:

	<u>2023</u>
Operating lease expense	\$ 426,283
Variable lease expense	3,668
Short-term lease expense	76,114
Financing lease expense	-
Total lease expense	<u>\$ 506,065</u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities	
Operating leases	\$ 365,821
Right of use assets obtained in exchange for lease liabilities	
Operating leases	\$ 436,076
Weighted average remaining lease term	
Operating leases	98
Weighted average discount rate	
Operating leases	3.11%

The future minimum lease payments under non-cancelable operating leases with terms greater than one year as of June 30, 2023 are as follows:

	<u>2023</u>
Year ending June 30,	
2024	\$ 424,373
2025	449,779
2026	238,817
2027	225,980
2028	193,599
Thereafter	<u>729,117</u>
Total lease payments	2,261,665
Less: discount	<u>(292,621)</u>
Present value of lease liabilities	<u>\$ 1,969,044</u>

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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### 9. NET ASSETS

Net assets are available for the following purposes as of June 30, 2023:

	2023
Net assets without donor restrictions:	
Board-designated endowment	\$ 663,839
Investment in property and equipment	1,773,174
Other assets	5,319,060
Total net assets without donor restrictions	<u>\$ 7,756,073</u>
Net assets with donor restrictions:	
Subject to expenditure for specified purpose:	
Health reporting	\$ 15,316
Music and digital contributors	3,941
Innovation fund	145,092
Journalism impact fund	125,015
Campaign - next generation radio	289,228
Campaign - journalism excellence	72,000
Campaign - classical	40,000
Campaign - undesignated	941,706
Total net assets with purpose restrictions	<u>1,632,298</u>
Promises to give restricted by donor for:	
Campaign - next generation radio	360,000
Campaign - journalism excellence	208,000
Campaign - classical	20,000
Campaign - undesignated	1,065,248
Total promises to give restricted by donor	<u>1,653,248</u>
Endowments:	
Operating endowments	938,722
Operating endowments - WSUI/KSUI	348,015
Classical programming	224,442
News programming	13,926
Endowment promises to give	382,000
Total endowments	<u>1,907,105</u>
Total net assets with donor restrictions	<u>\$ 5,192,651</u>

# IOWA PUBLIC RADIO, INC.

## Notes to Financial Statements

As of and for the Year Ended June 30, 2023

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of other events specified by the donor or spending policies, as follows for the year ended June 30, 2023:

	<u>2023</u>
Satisfaction of purpose restrictions:	
Health reporting	\$ 52,685
Music and digital contributors	4,858
Innovation fund	<u>25,353</u>
Total satisfaction of purpose restrictions	<u>82,896</u>
 Endowment distributions and appropriations:	
Operating endowments	29,601
Operating endowments - WSUI/KSUI	14,324
Classical programming	10,541
News programming	<u>654</u>
Total distributions and appropriations	<u>55,120</u>
 License transfer loss of endowment	<u>22,398</u>
 Total net assets released from restrictions	<u><u>\$ 160,414</u></u>

## 10. REVENUE AND CONTRACTS WITH CUSTOMERS

The Organization enters into contracts with underwriters and other customers to provide noncommercial radio acknowledgements and advertising in the Organization's newsletters and on the website. The payment terms and conditions in each contract vary based on the services provided, agreed upon payment plan and the duration of the contract. The Organization assesses the services promised and identifies the performance obligations for each contract. Contracts are for specific services and prices are fixed at inception. The Organization recognizes a contract liability when payment is received from a customer before the performance obligations are satisfied, and recognizes a contract receivable when payment from a customer is in arrears. Revenue from underwriting and digital sponsorship contracts is recognized over a period of time as the Organization meets each contractual obligation. Deferred underwriting revenue will be recognized as revenue within the next twelve months.

Changes in deferred revenue for the year ended June 30, 2023 are as follows:

	<u>2023</u>
Deferred underwriting revenue, beginning of year	\$ 79,979
Revenue recognized that was included in deferred revenue at the beginning of year	(79,979)
Increases in deferred revenue due to cash received during the year	<u>96,528</u>
 Deferred underwriting revenue, end of year	<u><u>\$ 96,528</u></u>



# **IOWA PUBLIC RADIO, INC.**

## **Notes to Financial Statements**

**As of and for the Year Ended June 30, 2023**

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### **11. EMPLOYEE BENEFITS**

Employees of the Organization participate in the Iowa Public Radio Defined Contribution Plan administered by Teachers Insurance and Annuity Association (TIAA). The defined contribution retirement plan provides individual annuities for each plan participant. The board of directors establishes and amends the plan's provisions and contribution requirements. As required by IPR's policy, all eligible employees must participate in the plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributed 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The Organization, through the fifth year of employment, contributed 6 2/3% of the first \$4,800 of earnings and 10% on the balance of earnings. Upon completion of five years of service, the participant contributed 5% and the Organization contributed 10% on all earnings.

The Organization's required and actual contributions to the plan totaled \$336,910 for the year ended June 30, 2023.

### **12. CONTINGENCIES AND RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to property loss, liability under tort, theft, damage to or the destruction of assets, error and omissions, injuries to employees and natural disaster. These risks are subject to insurance coverage of property, general liability, cyber liability, employee dishonesty, worker's compensation, multi-media liability and director and officers' policies. The Organization is not aware of any known or contingent risks that would have a material impact on the financial statements.

### **13. OTHER MATTERS**

The license transfer, as previously referenced, included the transfer of the FCC licenses, related broadcasting equipment and certain other assets from the Regent's universities to the Organization. The transaction closed on June 30, 2022. The Organization recognized revenue, assets and liabilities associated with the license transfer on the June 30, 2022 financial statements. The Organization received transfers of cash and investment balances in the current year as a result of the transaction, which are reported on the statement of cash flows as proceeds from the license transfer. An endowment fund for which the Organization believed was included in the license transfer was ultimately retained by the UI Foundation. The license transfer loss of endowment line on the statement of activities reflects the loss recognized to write-off the receivable of the endowment fund.