

**KWAX Classical Oregon**  
**UNIVERSITY OF OREGON**  
**AUDIT REPORT**  
**Year Ended June 30, 2023**



## TABLE OF CONTENTS

|                                      |          |
|--------------------------------------|----------|
| Independent Auditor's Report         | 1 to 2   |
| Management's Discussion and Analysis | 3 to 6   |
| Basic Financial Statements:          |          |
| Statements of Net Position           | 7        |
| Statements of Activities             | 8        |
| Statements of Cash Flows             | 9        |
| Notes to Financial Statements        | 10 to 13 |

## **Report of Independent Auditors**

University of Oregon Board of Trustees  
KWAX  
Eugene, Oregon

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

#### ***Opinion***

We have audited the financial statements of KWAX Radio Station (the “Station”), a non-commercial radio station operated by the University of Oregon (the “University”), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise KWAX’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Station as of June 30, 2023 and 2022, and the results of its operations 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 Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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.

#### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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.

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.

***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Station, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the financial statements of the University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Portland, Oregon  
December 15, 2023

## Management's Discussion and Analysis

For the Year Ended June 30, 2023

---

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of KWAX Classical Oregon FM Radio 91.1 FM. KWAX is a non-commercial classical music radio station broadcasting to the Eugene-Springfield, Oregon area. The station is a listener-supported service of the University of Oregon (UO). The MD&A is designed to assist the reader in understanding the accompanying financial statements through an objective and easily-readable analysis of KWAX's financial activities for the fiscal years ended June 30, 2023, 2022, and 2021.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A serves as an introduction to KWAX's basic entity-wide financial statements. The entity-wide presentation is designed to provide readers with a broad overview of KWAX's finances, in a manner similar to a private-sector business. These financial statements focus on KWAX's overall financial condition, its results of operations, and its cash flows. Because this presentation includes summarized formats, it should be read in conjunction with the financial statements, which are comprised of the following components:

**The Independent Auditor's Report** presents an unmodified opinion rendered by an independent certified public accounting firm, Moss Adams LLP, on the fairness in presentation (in all material respects) of the financial statements.

**Statement of Net Position (SNP)** presents KWAX's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position are indicators of the improvement or erosion of KWAX's financial condition. Assets and liabilities are generally measured using current values; capital assets are stated at historical cost, less an allowance for depreciation.

**Statement of Activities (SA)** presents the revenues earned and the expenses incurred during the year. Revenues and expenses are generally reported using the accrual method of accounting, which records transactions as soon as they occur, regardless of when cash is exchanged. Usage of capital assets is reported as depreciation expense, which amortizes the cost of the assets over their estimated useful lives. Revenues and expenses are reported as either operating or nonoperating. The primary sources of operating revenue are underwriting and grants. Contributions and UO support are classified as nonoperating revenues.

**Statement of Cash Flows (SCF)** presents information on cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. It provides the net increase or decrease in cash between the beginning and end of the fiscal year. This statement assists in evaluating financial viability and KWAX's ability to meet financial obligations as they become due.

**Notes to the Financial Statements (Notes)** provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

### ANALYSIS OF THE STATEMENT OF NET POSITION

#### Comparison of Fiscal Year 2023 to Fiscal Year 2022

As of June 30, 2023, KWAX's current assets were \$154,561, and current liabilities were \$166,614. This represents a current ratio of 0.93. Current assets consist of cash and cash equivalents, and prepaid subscriptions & memberships. Included in noncurrent assets are capital assets (equipment) net of accumulated depreciation, right-of-use (ROU) assets for leased space at broadcasting towers and a production studio, both used to provide services, as well as an interest in an endowment held at the University of Oregon Foundation. Current liabilities consist of accounts payable and accrued liabilities, the current portion of long-term liabilities due, and deferred revenue; non-current liabilities are comprised of long-term obligations incurred through acquisition of ROU assets.

## Management's Discussion and Analysis

For the Year Ended June 30, 2023

---

Current assets increased \$32,403, or 27 percent. Cash on hand increased \$23,291, or 19 percent. Prepaid subscriptions & memberships increased by \$9,112, or 100 percent.

Noncurrent assets increased \$82,027, or 4 percent. Capital assets, net of accumulated depreciation and amortization, increased \$111,459, or 20 percent, primarily due to increased capitalizable equipment expenditures in fiscal year 2023. This was partially offset by a decrease in the endowment of \$29,432, or 2 percent.

Current liabilities increased \$42,766, or 35 percent, primarily due to a \$37,738 increase in deferred revenue.

Noncurrent liabilities increased \$23,177 in fiscal year 2023, or 5 percent.

Total net position increased \$48,487, or 3 percent. Invested in capital assets increased \$85,616, or 540 percent. This includes debt-financing of capital assets, which reduces the overall net investment. Restricted For: Gifts, Grants and Contracts decreased by \$67,170, or 5 percent. This includes the endowment, change primarily due to market fluctuations. Unrestricted net position increased \$30,041, or 29 percent, primarily due to foundation support.

### Condensed Statement of Net Position

| As of June 30,                              | 2023                | 2022                | 2021                |
|---|---------------------|---------------------|---------------------|
| <b>ASSETS</b>                               |                     |                     |                     |
| Current Assets                              | \$ 154,561          | \$ 122,158          | \$ 264,342          |
| Noncurrent Assets                           | 1,440,856           | 1,470,288           | 1,335,749           |
| Capital Assets, Net                         | 661,674             | 550,215             | 609,501             |
| <b>Total Assets</b>                         | <b>2,257,091</b>    | <b>2,142,661</b>    | <b>2,209,592</b>    |
| <b>LIABILITIES</b>                          |                     |                     |                     |
| Current Liabilities                         | 166,614             | 123,848             | 121,672             |
| Noncurrent Liabilities                      | 452,761             | 429,584             | 517,016             |
| <b>Total Liabilities</b>                    | <b>619,375</b>      | <b>553,432</b>      | <b>638,688</b>      |
| <b>NET POSITION</b>                         |                     |                     |                     |
| Invested in Capital Assets                  | 101,484             | 15,868              | 2,561               |
| Restricted For: Gifts, Grants and Contracts | 1,403,118           | 1,470,288           | 1,335,749           |
| Unrestricted                                | 133,114             | 103,073             | 232,594             |
| <b>Total Net Position</b>                   | <b>\$ 1,637,716</b> | <b>\$ 1,589,229</b> | <b>\$ 1,570,904</b> |

### Comparison of Fiscal Year 2022 to Fiscal Year 2021

As of June 30, 2022, KWAX's current assets were \$122,158, and current liabilities were \$123,848. This represents a current ratio of 0.99.

Current assets decreased \$142,184, or 54 percent. Cash on hand decreased \$140,455, or 53 percent, primarily due to the emergency stabilization funds for public media included in the American Rescue Plan Act Stabilization Grants received by KWAX in fiscal year 2021. Prepaid subscriptions & memberships decreased by \$1,729, or 100 percent.

## Management's Discussion and Analysis

For the Year Ended June 30, 2023

---

Noncurrent assets increased \$75,253, or 4 percent. The endowment increased \$134,539, or 10 percent, primarily due to market fluctuations. This was partially offset by decreased of \$59,286, or 10 percent in capital assets, net of accumulated depreciation and amortization.

Current liabilities increased \$2,176, or 2 percent. Current portion of long-term liabilities increased \$7,268 or 7 percent. This was partially offset by a decrease in accounts payable and accrued liabilities, of \$5,092, or 21 percent.

Non-current liabilities decreased \$87,432 in fiscal year 2022, or 17 percent, due to the year over year decrease of amounts due for lease obligations.

Total net position increased \$18,325, or 1 percent. Invested in capital assets increased \$13,307, or 520 percent. This includes debt-financing of capital assets, which reduces the overall net investment. Restricted For: Gifts, Grants and Contracts increased by \$134,539, or 10 percent. This includes the endowment, change primarily due to market fluctuations. Unrestricted net position decreased \$129,521, or 56 percent, primarily due to operating loss.

### ANALYSIS OF THE STATEMENT OF ACTIVITIES

The Statement of Activities presents the operating revenue and expenses of KWAX as well as the nonoperating results.

#### Comparison of Fiscal Year 2023 to Fiscal Year 2022

##### Revenues

Total operating revenues, which are comprised of underwriting, and grants and contracts, for KWAX increased \$30,552, or 15 percent.

Nonoperating revenues increased \$64,037, or 17 percent, primarily due to an increase in support from the University of Oregon Foundation of \$180,393, or 80 percent. State targeted funding increased \$792 or 4 percent. The increases were partially offset by a decrease in investment activity of \$114,364, or 82 percent. KWAX received no indirect cost credits in fiscal year 2023.

##### Expenses

Total operating expenses of KWAX increased \$63,713, or 11 percent. Programming and production expense decreased \$3,837, or 8 percent. Broadcasting expense increased \$46,777, or over 100 percent, primarily due to the purchase of non-capitalizable equipment. Management and general expenses increased \$8,289, or 2 percent. Fundraising and membership development expense increased \$5,022, or 177 percent, primarily due to payroll costs. Depreciation & amortization expenses increased \$7,462, or 7 percent, primarily due to capital expenditures in fiscal year 2023.

Nonoperating expenses for interest related to lease liabilities increased \$714 or 15 percent.

## Management's Discussion and Analysis

For the Year Ended June 30, 2023

---

### Condensed Statements of Activities

| For the Year Ended June 30,            | 2023                | 2022                | 2021                |
|--|---------------------|---------------------|---------------------|
| Operating Revenues                     | \$ 233,618          | \$ 203,066          | \$ 403,615          |
| Operating Expenses                     | 630,427             | 566,714             | 564,136             |
| Operating Loss                         | (396,809)           | (363,648)           | (160,521)           |
| Nonoperating Revenues, Net of Expenses | 445,296             | 381,973             | 1,510,427           |
| Increase in Net Position               | 48,487              | 18,325              | 1,349,906           |
| Net Position, Beginning of Year        | 1,589,229           | 1,570,904           | 220,998             |
| <b>Net Position, End of Year</b>       | <b>\$ 1,637,716</b> | <b>\$ 1,589,229</b> | <b>\$ 1,570,904</b> |

### Comparison of Fiscal Year 2022 to Fiscal Year 2021

#### Revenues

Total operating revenues, which are comprised of underwriting, and grants and contracts, for KWAX decreased \$200,549, or 50 percent. This was primarily due to the receipt of American Rescue Plan Act emergency stabilization funds in fiscal year 2021.

Nonoperating revenues in fiscal year 2022 decreased \$1,129,139, or 74 percent. Donor contributions decreased \$1,201,680, or 100 percent, due to the receipt of one legacy gift from a donor's estate in fiscal year 2021. Support from the University of Oregon Foundation decreased \$39,748, or 15 percent. State targeted funding remained at \$19,396 year over year. Increases were in investment activity of \$110,454, or 384 percent, net gain on sale of assets of \$1,210, or 100 percent, and indirect cost credits of \$625, or 66 percent.

#### Expenses

Total operating expenses of KWAX increased \$2,578, or less than 1 percent. Programming and production expense increased \$10,453, or 27 percent. Broadcasting expense decreased \$40,533, or 98 percent, due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* which moved the rental expense of KWAX's lease of tower space to amortization and interest expenses. See Notes regarding leases, capital assets, and liabilities. Management and general expenses increased \$25,577, or 7 percent. Fundraising and membership development expense increased \$212, or 8 percent. Depreciation & amortization expenses increased \$6,779, or 6 percent, primarily due to the acquisition of an additional lease for tower space.

Nonoperating expenses for interest related to lease liabilities decreased \$685, or 13 percent.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of KWAX. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Jamie Moffitt**

Office of the Senior Vice President for Finance and Administration, Treasurer, and CFO  
103 Johnson Hall  
1283 University of Oregon  
Eugene, OR 97403-1283  
541-346-3003

## Statements of Net Position

---

| As of June 30,                              | 2023                | 2022                |
|---|---------------------|---------------------|
| <b>ASSETS</b>                               |                     |                     |
| Cash on Hand                                | \$ 145,449          | \$ 122,158          |
| Prepaid Subscriptions & Memberships         | 9,112               | -                   |
| Interest in Endowment                       | 1,440,856           | 1,470,288           |
| Capital Assets, Net                         | 661,674             | 550,215             |
| <b>Total Assets</b>                         | <b>2,257,091</b>    | <b>2,142,661</b>    |
| <b>LIABILITIES</b>                          |                     |                     |
| Accounts Payable and Accrued Liabilities    | 21,447              | 19,085              |
| Current Portion of Long-Term Liabilities    | 107,429             | 104,763             |
| Deferred Revenue                            | 37,738              | -                   |
| Long-Term Liabilities                       | 452,761             | 429,584             |
| <b>Total Liabilities</b>                    | <b>619,375</b>      | <b>553,432</b>      |
| <b>NET POSITION</b>                         |                     |                     |
| Net Investment in Capital Assets            | 101,484             | 15,868              |
| Restricted for Gifts, Grants, and Contracts | 1,403,118           | 1,470,288           |
| Unrestricted                                | 133,114             | 103,073             |
| <b>Total Net Position</b>                   | <b>\$ 1,637,716</b> | <b>\$ 1,589,229</b> |

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

## Statements of Activities

| For the Years Ended June 30,            | 2023                | 2022                |
|---|---------------------|---------------------|
| <b>OPERATING REVENUES</b>               |                     |                     |
| Underwriting                            | \$ 124,709          | \$ 106,962          |
| Grants and Contracts                    | 108,909             | 96,104              |
| <b>Total Operating Revenues</b>         | <b>233,618</b>      | <b>203,066</b>      |
| <b>OPERATING EXPENSES</b>               |                     |                     |
| <b>Program Services</b>                 |                     |                     |
| Programming and Production              | 45,446              | 49,283              |
| Broadcasting                            | 47,395              | 618                 |
| <b>Total Program Services</b>           | <b>92,841</b>       | <b>49,901</b>       |
| <b>Supporting Services</b>              |                     |                     |
| Management & General                    | 408,959             | 400,670             |
| Fundraising & Membership Development    | 7,864               | 2,842               |
| <b>Total Supporting Services</b>        | <b>416,823</b>      | <b>403,512</b>      |
| Depreciation & Amortization             | 120,763             | 113,301             |
| <b>Total Operating Expenses</b>         | <b>630,427</b>      | <b>566,714</b>      |
| <b>Operating Loss</b>                   | <b>(396,809)</b>    | <b>(363,648)</b>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                     |                     |
| Foundation Support                      | 405,689             | 225,296             |
| Change in Interest in Endowment         | 24,879              | 139,243             |
| <b>University of Oregon</b>             |                     |                     |
| State Targeted Funding                  | 20,188              | 19,396              |
| Indirect Cost Credits                   | -                   | 1,574               |
| Gain of Sale of Assets, Net             | -                   | 1,210               |
| Interest Expense                        | (5,460)             | (4,746)             |
| <b>Net Nonoperating Revenues</b>        | <b>445,296</b>      | <b>381,973</b>      |
| Increase In Net Position                | 48,487              | 18,325              |
| <b>NET POSITION</b>                     |                     |                     |
| Beginning Balance                       | 1,589,229           | 1,570,904           |
| <b>Ending Balance</b>                   | <b>\$ 1,637,716</b> | <b>\$ 1,589,229</b> |

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

## Statements of Cash Flows

| For the Years Ended June 30,   | 2023                | 2022                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Underwriting   | \$ 124,709          | \$ 106,962          |
| Grants and Contracts   | 146,647             | 96,104              |
| Allocation of personnel costs from UO  | (303,558)           | (299,333)           |
| Payments to Suppliers  | (212,856)           | (157,443)           |
| <b>Net Cash Used by Operating Activities</b>   | <b>(245,058)</b>    | <b>(253,710)</b>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                       |                     |                     |
| Foundation Support   | 405,689             | 225,296             |
| State Targeted Funding   | 20,188              | 19,396              |
| Indirect Cost Credits  | -                   | 1,574               |
| Interest Payments  | (5,460)             | (4,746)             |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                                  | <b>420,418</b>      | <b>241,520</b>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                              |                     |                     |
| Change in Lease Obligations  | (103,759)           | (100,928)           |
| Purchases of Capital Assets  | (102,620)           | (33,250)            |
| Proceeds from Sale of Capital Assets   | -                   | 1,210               |
| <b>Net Cash Used by Capital Financing Activities</b>   | <b>(206,379)</b>    | <b>(132,968)</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Proceeds from Sales and Maturities of Investments  | 24,879              | 4,704               |
| Interest on Investments and Cash Balances  | 29,432              | -                   |
| <b>Net Cash Provided by Investing Activities</b>   | <b>54,311</b>       | <b>4,704</b>        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                  |                     |                     |
| Beginning Balance  | 122,158             | 262,613             |
| <b>Ending Balance</b>  | <b>\$ 145,449</b>   | <b>\$ 122,158</b>   |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>             |                     |                     |
| Operating Loss   | \$ (396,809)        | \$ (363,648)        |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities: |                     |                     |
| Depreciation & Amortization Expense  | 120,763             | 113,301             |
| Changes in Assets and Liabilities:   |                     |                     |
| Deferred Revenue   | 37,738              | -                   |
| Prepaid Subscriptions & Memberships  | (9,112)             | -                   |
| Accounts Payable and Accrued Expenses  | 2,362               | 1,729               |
| Long-Term Liabilities  | -                   | (5,092)             |
| <b>Net Cash Used By Operating Activities</b>   | <b>\$ (245,058)</b> | <b>\$ (253,710)</b> |
| <b>NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS</b>                                    |                     |                     |
| Capital Assets Acquired by Incurring Lease Obligations                                       | <b>\$ 129,602</b>   | <b>\$ 20,764</b>    |

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

## Notes to the Financial Statements

For the Year Ended June 30, 2023

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of KWAX have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of KWAX's accounting policies are described below.

#### A. Organization and Operation

KWAX is a non-commercial radio station operated by the University of Oregon (the institutional licensee). UO records the transactions of KWAX within UO's financial statements. Because KWAX's financial statements present only a selected portion of the activities of UO, they are not intended to and do not present the financial position, changes in financial position, and cash flows of UO as a whole.

#### B. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with KWAX's ongoing operations. The principal operating revenues of KWAX are underwriting and grants and contracts for specific operating activities of the station. Operating expenses include the cost of program services and support services, and depreciation on capital assets. Other revenues, typically from non-exchange transactions, such as support from the University of Oregon Foundation, UO indirect cost credits, and state targeted funding, are not generated from operations and are considered nonoperating revenues.

#### C. Cash and Cash Equivalents

Cash balances of KWAX are pooled in bank accounts maintained by UO. For purposes of the statement of cash flows, cash and cash equivalents include KWAX's portion of UO's pooled accounts. The pooled accounts have the general characteristics of a demand deposit account.

#### D. Capital Assets

Capital assets consist of equipment with a useful life greater than one year. KWAX's capitalization threshold is \$5,000 for capital equipment. Donated assets are recorded at their fair market value on the date donated. The cost of normal maintenance and repairs that do not add value or functionality to the asset are not capitalized, but are expensed as incurred. Capital equipment is depreciated using the straight-line method over a 3 to 11 year estimated life.

#### E. Leases

KWAX determines if an arrangement is a lease at inception. Previously-reported operating leases were recorded as operating expenses in the Statement of Activities. The implementation of GASB Statement No. 87, *Leases* in fiscal year 2021 required that KWAX, as a lessee, recognize a lease liability and an intangible right-of-use (ROU) asset. Lessee arrangements are included in capital assets and long-term liabilities on the Statements of Net Position. ROU assets represent KWAX's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. ROU assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease

## Notes to the Financial Statements

For the Year Ended June 30, 2023

---

term, and certain direct costs. ROU assets are amortized in a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset. Lease liabilities represent KWAX's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that KWAX will exercise that option.

### **F. Net Position**

KWAX's net position is classified as follows:

#### **Net Investment in Capital Assets**

Net investment in capital assets represents the total investment in capital assets, net of accumulated depreciation, amortization, and outstanding debt obligations related to those capital assets.

#### **Restricted Expendable**

Restricted-expendable Restricted for Gifts, Grants, and Contracts includes resources which KWAX is legally or contractually obligated to spend in accordance with restrictions stipulated by external parties. This includes Interest in the endowment held at University of Oregon Foundation.

#### **Unrestricted**

Unrestricted net position represents resources that may be used at the discretion of KWAX's management. When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are generally applied first.

### **G. Use of Estimates**

The preparation of financial statements in accordance 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **H. Underwriting**

KWAX does receive underwriting income from business entities for on-air promotions. This is recognized at the time the promotion is aired and results in accounts receivable for unpaid balances at year end or deferred revenue for amount received in advance of airing.

## Notes to the Financial Statements

For the Year Ended June 30, 2023

### 2. CASH

Cash and investments are included in the UO cash and investments pool. Readers of these financial statements are referred to UO's annual comprehensive financial report at <https://ba.uoregon.edu/finance-and-accounting/financial-reports> for information regarding the extent in which deposits at UO are collateralized.

### 3. CAPITAL ASSETS

Changes to KWAX's capital assets were as follows:

| <b>Capital Assets</b>            | <b>Balance<br/>June 30,<br/>2021</b> | <b>Additions/<br/>Reductions</b> | <b>Balance<br/>June 30,<br/>2022</b> | <b>Additions/<br/>Reductions</b> | <b>Balance<br/>June 30,<br/>2023</b> |
|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Equipment                        | \$ 245,386                           | \$ 33,251                        | \$ 278,637                           | \$ 102,620                       | \$ 381,257                           |
| Less Accumulated Depreciation    | (242,825)                            | (6,004)                          | (248,829)                            | (9,611)                          | (258,440)                            |
| <b>Total Equipment, Net</b>      | <b>2,561</b>                         | <b>27,247</b>                    | <b>29,808</b>                        | <b>93,009</b>                    | <b>122,817</b>                       |
| Right-of-Use Assets              | 710,776                              | 20,764                           | 731,540                              | 129,602                          | 861,142                              |
| Less Accumulated Amortization    | (103,836)                            | (107,297)                        | (211,133)                            | (111,152)                        | (322,285)                            |
| <b>Total ROU Assets, Net</b>     | <b>606,940</b>                       | <b>(86,533)</b>                  | <b>520,407</b>                       | <b>18,450</b>                    | <b>538,857</b>                       |
| <b>Total Capital Assets, Net</b> | <b>\$ 609,501</b>                    | <b>\$ (59,286)</b>               | <b>\$ 550,215</b>                    | <b>\$ 111,459</b>                | <b>\$ 661,674</b>                    |

### 4. LEASES

KWAX leases space at tower facilities from external parties for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2030 and provide for renewal options. In accordance with GASB Statement No. 87, KWAX records ROU assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using KWAX's incremental borrowing rate. Variable payments are excluded from valuations unless they are fixed in substance. KWAX does not have any leases featuring payments tied to an index or market rate or leases subject to a residual value guarantee. See Note 3. Capital Assets for information on ROU assets and associated accumulated amortization. See Note. 5 Long-Term Liabilities for liability activity and the future payments schedule.

Weighted-average remaining lease term is 6.0 years. The leases are recorded at the present value of the minimum future lease payments at the inception date. The weighted average discount rate on leases is 0.82 percent.

## Notes to the Financial Statements

For the Year Ended June 30, 2023

### 5. LONG-TERM LIABILITIES

Long-term liability activity for KWAX was as follows:

| <b>Long-Term Obligations</b>       | <b>Balance<br/>July 1, 2022</b> | <b>Additions</b>  | <b>Reductions</b>   | <b>Balance<br/>June 30,<br/>2023</b> | <b>Amount<br/>Due Within<br/>One Year</b> | <b>Long-Term<br/>Portion</b> |
|------------------------------------|---------------------------------|-------------------|---------------------|--------------------------------------|---|------------------------------|
| Right-of-Use Leases                | \$ 534,347                      | \$ 130,606        | \$ (104,763)        | \$ 560,190                           | \$ 107,429                                | \$ 452,761                   |
| <b>Total Long-Term Obligations</b> | <b>\$ 534,347</b>               | <b>\$ 130,606</b> | <b>\$ (104,763)</b> | <b>\$ 560,190</b>                    | <b>\$ 107,429</b>                         | <b>\$ 452,761</b>            |

| <b>Long-Term Obligations</b>       | <b>Balance<br/>July 1, 2021</b> | <b>Additions</b> | <b>Reductions</b>  | <b>Balance<br/>June 30,<br/>2022</b> | <b>Amount<br/>Due Within<br/>One Year</b> | <b>Long-Term<br/>Portion</b> |
|------------------------------------|---------------------------------|------------------|--------------------|--------------------------------------|---|------------------------------|
| Right-of-Use Leases                | \$ 614,511                      | \$ 17,330        | \$ (97,494)        | \$ 534,347                           | \$ 104,763                                | \$ 429,584                   |
| <b>Total Long-Term Obligations</b> | <b>\$ 614,511</b>               | <b>\$ 17,330</b> | <b>\$ (97,494)</b> | <b>\$ 534,347</b>                    | <b>\$ 104,763</b>                         | <b>\$ 429,584</b>            |

The schedule of principal and interest payments for KWAX long-term liabilities was as follows:

| <b>Future Payment Obligations</b>       | <b>Principal</b>  | <b>Interest</b>  | <b>Total Payments</b> |
|---|-------------------|------------------|-----------------------|
| For the Year Ending June 30,            |                   |                  |                       |
| 2024                                    | \$ 107,429        | \$ 4,248         | \$ 111,677            |
| 2025                                    | 99,540            | 3,414            | 102,954               |
| 2026                                    | 94,834            | 2,604            | 97,438                |
| 2027                                    | 92,101            | 1,806            | 93,907                |
| 2028                                    | 63,338            | 1,051            | 64,389                |
| 2029-2033                               | 102,948           | 1,629            | 104,577               |
| <b>Total Future Payment Obligations</b> | <b>\$ 560,190</b> | <b>\$ 14,752</b> | <b>\$ 574,942</b>     |