

KWAX Classical Oregon
UNIVERSITY OF OREGON
AUDIT REPORT
Year Ended June 30, 2024



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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 3 through 6 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
November 25, 2024

Management's Discussion and Analysis

For the Year Ended June 30, 2024

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, 2024, 2023, and 2022.

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:

Report of Independent Auditors 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 Assets (SNA) presents KWAX's assets and liabilities with the difference between the two reported as fund balance. Over time, increases or decreases in net assets 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 and amortization.

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) 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 and amortization expense, which allocates 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 Assets

Comparison of Fiscal Year 2024 to Fiscal Year 2023

As of June 30, 2024, KWAX's current assets were \$56,785, and current liabilities were \$127,157. This represents a current ratio of 0.45. Current assets consist of cash and cash equivalents, and prepaid subscriptions & memberships. Included in noncurrent assets are capital assets (equipment) net of accumulated depreciation, net right-of-use (ROU) assets for leased space at broadcasting towers and a production studio, both used to provide services, as well as 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, 2024

Current assets decreased \$97,776, or 63 percent. Cash on hand decreased \$100,984, or 69 percent. Prepaid subscriptions & memberships increased \$3,208, or 35 percent.

Noncurrent assets increased \$31,093, or 1 percent. Capital assets, net of accumulated depreciation and amortization, decreased \$44,961, or 7 percent, primarily due to the depreciation and amortization of capital assets over useful-life. This was partially offset by an increase in the endowment of \$76,054, or 5 percent.

Current liabilities decreased \$39,457, or 24 percent, primarily due to decreases in deferred revenue and accounts payable and accrued liabilities of \$17,453 and \$16,231 respectively.

Noncurrent liabilities decreased \$59,037, or 13 percent.

Total net assets increased \$31,811, or 2 percent. Investment in capital assets increased \$19,849, or 20 percent. Restricted for gifts, grants, and contracts increased \$113,792, or 8 percent. This includes the endowment which changed primarily due to market fluctuations. Unrestricted net assets decreased \$101,830, or 76 percent, primarily due to a decrease in foundation support.

Condensed Statements of Net Assets

As of June 30,	2024	2023	2022
ASSETS			
Current Assets	\$ 56,785	\$ 154,561	\$ 122,158
Noncurrent Assets	1,516,910	1,440,856	1,470,288
Capital Assets, Net	616,713	661,674	550,215
Total Assets	2,190,408	2,2547,091	2,142,661
LIABILITIES			
Current Liabilities	127,157	166,614	123,848
Noncurrent Liabilities	393,724	452,761	429,584
Total Liabilities	520,881	619,375	553,432
NET ASSETS			
Invested in Capital Assets	121,333	101,484	15,868
Restricted for Gifts, Grants, and Contracts	1,516,910	1,403,118	1,470,288
Unrestricted	31,284	133,114	103,073
Total Net Assets	\$ 1,669,527	\$ 1,637,716	\$ 1,589,229

Comparison of Fiscal Year 2023 to Fiscal Year 2022

As of June 30, 2024, KWAX's current assets were \$154,561, and current liabilities were \$166,614. This represents a current ratio of 0.93.

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.

Management's Discussion and Analysis

For the Year Ended June 30, 2024

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

Total net assets 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 \$67,170, or 5 percent. This includes the endowment which changed primarily due to market fluctuations. Unrestricted net assets increased \$30,041, or 29 percent, primarily due to foundation support.

ANALYSIS OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating revenues and expenses of KWAX as well as the nonoperating revenues and expenses.

Comparison of Fiscal Year 2024 to Fiscal Year 2023

Revenues

Total operating revenues, which are comprised of underwriting and grants and contracts, decreased \$10,325, or 4 percent.

Nonoperating revenues increased \$14,790, or 3 percent. State targeted funding increased \$1,477, or 7 percent. KWAX received a one-time recovery of \$72,670 for claim losses related to noncapitalized equipment. The increases were partially offset by a decrease in foundation support of \$171,174, or 42 percent. KWAX received \$1,697 in indirect cost credits in fiscal year 2024, an increase of 100 percent.

Expenses

Total operating expenses of KWAX increased \$21,975, or 3 percent. Programming and production expense increased \$7,147, or 16 percent. Broadcasting expense decreased \$18,332, or 39 percent, primarily due to the purchase of non-capitalizable equipment in fiscal year 2023. Management and general expenses increased \$8,747, or 2 percent. Fundraising and membership development expense increased \$1,067, or 14 percent, primarily due to payroll costs. Depreciation and amortization expenses increased \$23,346, or 19 percent, primarily due to capital expenditures in fiscal years 2023 and 2024.

Nonoperating expenses for interest related to lease liabilities decreased \$834, or 15 percent.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30,	2024	2023	2022
Operating Revenues	\$ 223,293	\$ 233,618	\$ 203,066
Operating Expenses	652,402	630,427	566,714
Operating Loss	(429,109)	(396,809)	(363,648)
Nonoperating Revenues, Net of Expenses	460,920	445,296	381,973
Increase in Net Assets	31,811	48,487	18,325
Net Assets, Beginning of Year	1,637,716	1,589,229	1,570,904
Net Assets, End of Year	\$ 1,669,527	\$ 1,637,716	\$ 1,589,229

Management's Discussion and Analysis

For the Year Ended June 30, 2024

Comparison of Fiscal Year 2023 to Fiscal Year 2022

Revenues

Total operating revenues, which are comprised of underwriting and grants and contracts, 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.

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 7,569 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 and 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.

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 Assets

As of June 30,	2024	2023
ASSETS		
Cash on Hand	\$ 44,465	\$ 145,449
Prepaid Subscriptions & Memberships	12,320	9,112
Interest in Endowment	1,516,910	1,440,856
Capital Assets, Net	616,713	661,674
Total Assets	2,190,408	2,257,091
LIABILITIES		
Accounts Payable and Accrued Liabilities	5,216	21,447
Current Portion of Long-Term Liabilities	101,656	107,429
Deferred Revenue	20,285	37,738
Long-Term Liabilities	393,724	452,761
Total Liabilities	520,881	619,375
NET ASSETS		
Net Investment in Capital Assets	121,333	101,484
Restricted for Gifts, Grants and Contracts	1,516,910	1,403,118
Unrestricted	31,284	133,114
Total Net Assets	\$ 1,669,527	\$ 1,637,716

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

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30,	2024	2023
OPERATING REVENUES		
Underwriting	\$ 120,040	\$ 124,709
Grants and Contracts	103,253	108,909
Total Operating Revenues	223,293	233,618
OPERATING EXPENSES		
Program Services		
Programming and Production	52,593	45,446
Broadcasting	29,063	47,395
Total Program Services	81,656	92,841
Supporting Services		
Management & General	417,706	408,959
Fundraising & Membership Development	8,931	7,864
Total Supporting Services	426,637	416,823
Depreciation & Amortization	144,109	120,763
Total Operating Expenses	652,402	630,427
Operating Loss	(429,109)	(396,809)
NONOPERATING REVENUES (EXPENSES)		
Foundation Support	234,515	405,689
Change in Interest in Endowment	134,999	24,879
University of Oregon		
State Targeted Funding	21,665	20,188
Indirect Cost Credits	1,697	-
Insurance Proceeds	72,670	-
Interest Expense	(4,626)	(5,460)
Total Net Nonoperating Revenues	460,920	445,296
Increase in Net Assets	31,811	48,487
NET ASSETS		
Beginning Balance	1,637,716	1,589,229
Ending Balance	\$ 1,669,527	\$ 1,637,716

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

Statements of Cash Flows

For the Years Ended June 30,	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting	\$ 120,040	\$ 124,709
Grants and Contracts	85,800	146,647
Allocation of Personnel Costs from UO	(317,681)	(303,558)
Payments to Suppliers	(210,051)	(212,856)
Net Cash Used by Operating Activities	(321,892)	(245,058)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Foundation Support	234,515	405,689
State Targeted Funding	21,665	20,188
Indirect Cost Credits	1,697	-
Interest Payments	(4,626)	(5,460)
Net Cash Provided by Noncapital Financing Activities	253,251	420,418
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in Lease Obligations	(106,958)	(103,759)
Insurance Proceeds	72,670	-
Purchases of Capital Assets	(57,000)	(102,620)
Net Cash Used by Capital Financing Activities	(91,288)	(206,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	58,945	24,879
Interest on Investments and Cash Balances	-	29,432
Net Cash Provided by Investing Activities	58,945	54,311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Beginning Balance	145,449	122,158
Ending Balance	\$ 44,465	\$ 145,449
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (429,109)	\$ (396,809)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation & Amortization Expense	144,109	120,763
Changes in Assets and Liabilities:		
Prepaid Subscriptions & Memberships	(3,208)	(9,112)
Deferred Revenue	(17,453)	37,738
Accounts Payable and Accrued Expenses	(16,231)	2,362
Net Cash Used By Operating Activities	\$ (321,892)	\$ (245,058)
NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Incurring Lease Obligations	\$ 42,148	\$ 129,602

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

Notes to the Financial Statements

For the Year Ended June 30, 2024

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 net position, changes in net position, and cash flows of UO as a whole. 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 implementation of new GASB pronouncements.

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. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

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 revenues, expenses, and changes in net assets. Lessee arrangements are included in capital assets and long-term liabilities on the statement of net assets. 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

Notes to the Financial Statements

For the Year Ended June 30, 2024

made to the lessor at or before the commencement of the lease 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 Assets

KWAX's net assets are 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 net assets consist of gifts, grants, and contracts which includes resources 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 assets represent 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 receives 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.

I. Deferred Revenue

KWAX receives underwriting income from business entities for on-air promotions in advance of airing. Revenue received on grants when the grant is intended to compensate for expenses that will be incurred in the future.

Notes to the Financial Statements

For the Year Ended June 30, 2024

2. CASH AND INVESTMENTS

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:

Capital Assets	Balance June 30, 2022	Additions/ Reductions	Balance June 30, 2023	Additions/ Reductions	Balance June 30, 2024
Equipment	\$ 278,637	\$ 102,620	\$ 381,257	\$ 57,000	\$ 438,257
Less Accumulated Depreciation	(248,829)	(9,611)	(258,440)	(33,690)	(292,130)
Total Equipment, Net	29,808	93,009	122,817	23,310	146,127
Right-of-Use Assets	731,540	129,602	861,142	41,765	902,907
Less Accumulated Amortization	(211,133)	(111,152)	(322,285)	(110,036)	(432,321)
Total ROU Assets, Net	520,407	18,450	538,857	(68,271)	470,586
Total Capital Assets, Net	\$ 550,215	\$ 111,459	\$ 661,674	\$ (44,961)	\$ 616,713

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 2034 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 schedule of future payments.

Weighted-average remaining lease term is 5.7 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 1.18 percent.

Notes to the Financial Statements

For the Year Ended June 30, 2024

5. LONG-TERM LIABILITIES

Long-term liability activity for KWAX was as follows:

Long-Term Obligations	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Amount Due Within One Year	Long-Term Portion
Right-of-Use Leases	\$ 560,190	\$42,619	\$(107,429)	\$ 495,380	\$ 101,656	\$ 393,724
Total Long-Term Obligations	\$ 560,190	\$42,619	\$(107,429)	\$ 495,380	\$ 101,656	\$ 393,724

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

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

Future Payment Obligations	Principal	Interest	Total Payments
For the Year Ending June 30,			
2025	\$ 101,656	\$ 5,148	\$ 106,804
2026	97,959	4,215	102,174
2027	95,502	3,283	98,785
2028	67,031	2,382	69,413
2029	30,089	1,904	31,993
2030-2034	102,143	3,912	106,055
2035-2039	1,000	5	1,005
Total Future Payment Obligations	\$ 495,380	\$ 20,849	\$ 516,229