

**KWAX-FM RADIO OF
UNIVERSITY OF OREGON
AUDIT REPORT
Year Ended June 30, 2020**

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Report of Independent Auditors

University of Oregon Board of Trustees
KWAX
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of KWAX Radio Station (the “Station”), a public telecommunications entity operated by the University of Oregon (“the “University”), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise KWAX’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KWAX as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a 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, 2020, the changes in its financial position, or its cash flows for the year 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.

Other Matters*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, 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.

Moss Adams LLP

Portland, Oregon
November 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of KWAX-FM Radio (KWAX) of University of Oregon (UO) for the fiscal year ended June 30, 2020 and 2019. The discussion is designed to assist the readers in understanding the accompanying financial statements through an objective and easily readable analysis of KWAX's financial activities.

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:

The 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 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 source of operating revenue is 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

	June 30,		
	2020	2019	2018
ASSETS			
Cash On Hand	\$ 127,544	\$ 13,125	\$ 2,807
Accounts Receivable	1,304	-	-
Prepaid Subscriptions & Memberships	-	-	2,625
Interest in Quasi-Endowment, net	105,517	5,778	5,766
Capital Assets, Net of Accumulated Depreciation	5,247	12,029	16,564
Total Assets	239,612	30,932	27,761
LIABILITIES			
Invoices Payable	18,614	2,902	1,705
Total Liabilities	18,614	2,902	1,705
NET POSITION			
Invested in Capital Assets	5,247	12,029	16,564
Unrestricted	215,751	16,001	9,493
Total Net Position	220,998	28,030	26,056
Total Liabilities and Net Position	\$ 239,612	\$ 30,932	\$ 27,761

Comparison of Fiscal Year 2020 to Fiscal Year 2019

At June 30, 2020, KWAX's current assets of \$127,544 were sufficient to cover current liabilities of \$18,614. This represents a current ratio of 6.85. Current assets consist of cash and cash equivalents and accounts receivable. Included in noncurrent assets are capital assets (equipment) net of accumulated depreciation used to provide services, and an interest in a quasi-endowment held at the University of Oregon Foundation. Current liabilities consist of invoices payable.

Cash on hand increased from \$13,125 in fiscal year 2019 to \$127,544 in fiscal year 2020, an increase of \$114,419, or 872 percent primarily due to emergency stabilization funds for public media included in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Capital assets, net of accumulated depreciation, decreased by \$6,782 from fiscal year 2019 to fiscal year 2020, a 56 percent decrease, due to depreciation and the sale of equipment on one broadcasting tower. Invoices payable increased from \$2,902 in fiscal year 2019 to \$18,614 in fiscal year 2020, an increase of \$15,712, or 541 percent. Within net position, the "invested in capital assets" amount of \$5,247 represents the total original cost of all of KWAX's equipment less total accumulated depreciation on these assets. This amount was \$12,029 in fiscal year 2019, a decrease of \$6,782, or 56 percent between years. Unrestricted net position increased from \$16,001 in fiscal year 2019 to \$215,751 in fiscal year 2020, an increase of \$199,750, or 1,248 percent.

Comparison of Fiscal Year 2019 to Fiscal Year 2018

At June 30, 2019, KWAX's current assets of \$13,125 were sufficient to cover current liabilities of \$2,902. This represents a current ratio of 4.52. Current assets consist of cash and cash equivalents and prepaid subscriptions and memberships. Included in noncurrent assets are capital assets (equipment) net of accumulated depreciation used to provide services, and an interest in a quasi-endowment held at the University of Oregon Foundation. Current liabilities consist of invoices payable.

Cash on hand increased from \$2,807 in fiscal year 2018 to \$13,125 in fiscal year 2019, an increase of \$10,318, or 368 percent. Capital assets, net of accumulated depreciation, decreased by \$4,535 from fiscal year 2018 to fiscal year 2019, a 27 percent decrease, due to depreciation. Invoices payable increased from \$1,705 in fiscal year 2018 to \$2,902 in fiscal year 2019, an increase of \$1,197, or 70 percent. Within net position, the “Invested in Capital Assets” amount of \$12,029 represents the total original cost of all of KWAX’s equipment less total accumulated depreciation on these assets. This amount was \$16,564 in fiscal year 2018, a decrease of \$4,535, or 27 percent between years. Unrestricted net position increased from \$9,493 in fiscal year 2018 to \$16,001 in fiscal year 2019, an increase of \$6,508, or 69 percent.

Analysis of the Statement of Activities

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

	June 30,		
	2020	2019	2018
Operating Revenues	\$ 286,979	\$ 104,404	\$ 101,061
Operating Expenses	548,115	589,536	602,016
Operating Loss	(261,136)	(485,132)	(500,955)
Nonoperating Revenues	454,104	487,106	499,853
Change in Net Position	192,968	1,974	(1,102)
Beginning Balance	28,030	26,056	27,158
Net Position - End of Year	\$ 220,998	\$ 28,030	\$ 26,056

Comparison of Fiscal Year 2020 to Fiscal Year 2019

Revenues

Total operating revenues, which are comprised of underwriting, and grants and contracts, for KWAX increased from \$104,404 in fiscal year 2019 to \$286,979 in 2020 an increase of \$182,575, or 175 percent. Primarily due to CARES Act emergency stabilization funds.

Nonoperating revenues for fiscal year 2020 totaled \$454,104, compared to \$487,106 in 2019, a decrease of \$33,002, or 7 percent. The largest component of nonoperating revenue is support from the University of Oregon Foundation, which decreased from \$468,027 in 2019 to \$309,775 in 2020, a decrease of \$158,252, or 34 percent. State targeted funding increased 3 percent in fiscal year 2020, from \$18,354 in fiscal year 2019 to \$18,912 in fiscal year 2020. KWAX received interfund support of \$453 in 2020. Revenues from investment activity increased from \$233 in 2019 to \$99,964 in fiscal year 2020. As a listener-supported service of the University of Oregon, KWAX relies heavily on gifts from the public to maintain our classical music format.

Expenses

Total operating expenses of KWAX were \$548,115 for the fiscal year 2020, compared to \$589,536 for 2019, a decrease of \$41,421, or 7 percent. Programming and production expense increased less than 1 percent, from \$58,187 in fiscal year 2019 to \$58,260 in fiscal year 2020. Broadcasting expense decreased from \$121,135 in 2019 to \$110,436 in fiscal year 2020, a decrease of \$10,699, or 9 percent.

Management and general expenses totaled \$366,335 in fiscal year 2020 compared to \$395,336 in 2019, a decrease of \$29,001, or 7 percent. Fundraising and membership development expense decreased in fiscal year 2020 to \$6,263, from \$9,769 in fiscal year 2019, a decrease of \$3,506, or 36 percent.

Depreciation expense increased by \$2,247, or 50 percent in fiscal year 2020, compared to fiscal year 2019.

Comparison of Fiscal Year 2019 to Fiscal Year 2018

Revenues

Total operating revenues, which are comprised of underwriting, and grants and contracts, for KWAX increased from \$101,061 in fiscal year 2018 to \$104,404 in 2019 an increase of \$3,343, or 3 percent.

Nonoperating revenues for fiscal year 2019 totaled \$487,106, compared to \$499,853 in 2018, a decrease of \$12,747, or 3 percent. The largest component of nonoperating revenue is support from the University of Oregon Foundation, which increased from \$455,297 in 2018 to \$468,027 in 2019, an increase of \$12,730, or 3 percent. State targeted funding increased 5 percent in fiscal year 2019, from \$17,462 in fiscal year 2018 to \$18,354 in fiscal year 2019. KWAX received interfund support of \$492 in 2019.

Revenues from investment activity decreased from \$408 in 2018 to \$233 in fiscal year 2019.

Expenses

Total operating expenses of KWAX were \$589,536 for the fiscal year 2019, compared to \$602,016 for 2018, a decrease of \$12,480, or 2 percent. Programming and production expense decreased 4 percent, from \$60,350 in fiscal year 2018 to \$58,187 in fiscal year 2019. Broadcasting expense decreased from \$145,119 in 2018 to \$121,135 in fiscal year 2019, a decrease of \$23,984, or 17 percent. Management and general expenses totaled \$395,336 in fiscal year 2019 compared to \$378,732 in 2018, an increase of \$16,604, or 4 percent. Fundraising and membership development expense decreased in fiscal year 2019 to \$9,769, from \$12,715 in fiscal year 2018, a decrease of \$2,946, or 23 percent. Depreciation expense increased by \$427, or 10 percent in fiscal year 2019, compared to fiscal year 2018.

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

FINANCIAL STATEMENTS

KWAX Radio of University of Oregon
Statement of Net Position
As of June 30,

	2020	2019
ASSETS		
Cash On Hand	\$ 127,544	\$ 13,125
Accounts Receivable	1,304	-
Interest in Quasi-Endowment, net	105,517	5,778
Capital Assets, Net of Accumulated Depreciation	5,247	12,029
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Total Assets	239,612	30,932
LIABILITIES		
Invoices Payable	18,614	2,902
<hr/>		
Total Liabilities	18,614	2,902
NET POSITION		
Invested in Capital Assets	5,247	12,029
Unrestricted	215,751	16,001
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Total Net Position	220,998	28,030
Total Liabilities and Net Position	\$ 239,612	\$ 30,932

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

KWAX Radio of University of Oregon
Statement of Activities
Year Ended June 30,

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Underwriting	\$ 79,170	\$ 8,448
Grants and Contracts	207,809	95,956
Total Operating Revenues	286,979	104,404
OPERATING EXPENSES		
Program Services		
Programming & Production	58,260	58,187
Broadcasting	110,436	121,135
Total Program Services	168,696	179,322
Supporting Services:		
Management & General	366,335	395,336
Fundraising & Membership Development	6,263	9,769
Interest Expense	39	574
Total Supporting Services	372,637	405,679
Depreciation	6,782	4,535
Total Operating Expenses	548,115	589,536
Operating Loss	(261,136)	(485,132)
NONOPERATING REVENUES		
Foundation Support	309,775	468,027
Investment Activity	99,964	233
University of Oregon		
State Targeted Funding	18,912	18,354
Interfund Support	453	492
Gain on Sale of Assets, Net	25,000	-
Total Nonoperating Revenues	454,104	487,106
Change in Net Position	192,968	1,974
NET POSITION		
Beginning Balance	28,030	26,056
Ending Balance	\$ 220,998	\$ 28,030

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

KWAX Radio of University of Oregon
Statement of Cash Flows
Year Ended June 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting	\$ 77,866	\$ 8,448
Grants and Contracts	207,809	95,956
Payments to Employees for Compensation and Benefits	(285,654)	(301,991)
Payments to Suppliers	(239,929)	(278,614)
Interest Payments	(39)	(574)
Net Cash Used by Operating Activities	(239,947)	(476,775)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Memberships	309,775	468,027
State Targeted Funding	18,912	18,354
Interfund Support	453	492
Net Cash Provided by Noncapital Financing Activities	329,140	486,873
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sales of Capital Assets	25,000	-
Net Cash Provided by Capital Financing Activities	25,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	(99,767)	(43)
Interest on Investments and Cash Balances	99,993	263
Net Cash Provided by Investing Activities	226	220
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	114,419	10,318
CASH AND CASH EQUIVALENTS		
Beginning Balance	13,125	2,807
Ending Balance	\$ 127,544	\$ 13,125
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (261,136)	\$ (485,132)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	6,782	4,535
Changes in Assets and Liabilities:		
Accounts Receivable	(1,304)	-
Prepaid Expenses	-	2,625
Invoices Payable	15,711	1,197
NET CASH USED BY OPERATING ACTIVITIES	\$ (239,947)	\$ (476,775)

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements
Year Ended June 30, 2020 and 2019

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 the KWAX's accounting policies are described below.

A. Organization and Operation

KWAX is operated by UO (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 the university 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 at the time liabilities are 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 interfund support, 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. Restrictions

When restricted and unrestricted resources are available for use, restricted resources are used first.

F. 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.

2. CASH: Cash and investments are included in the UO cash and investments pool. Readers of these financial statements are referred to UO's comprehensive annual 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:

The following is a summary of changes in KWAX's capital assets during the fiscal years:

Capital Assets	Audited June 30, 2018	Additions	Retirements and Adjustments	Balance June 30, 2019	Additions	Retirements and Adjustments	Balance June 30, 2020
Equipment	\$ 260,670	\$ -	\$ 5,930	\$ 266,600	\$ -	\$ (21,214)	\$ 245,386
Less Accumulated Depreciation	(244,106)	(9,279)	(1,186)	(254,571)	(6,782)	21,214	(240,138)
Total Capital Assets, Net	\$ 16,564	\$ (9,279)	\$ 4,744	\$ 12,029	\$ (6,782)	\$ -	\$ 5,247

4. OPERATING LEASES: KWAX is obligated under operating leases for tower facilities and paid \$105,760 in rent during the 2020 fiscal year. The following is a schedule of estimated future minimum rental payments:

For the year ending June 30,	
2021	\$ 69,930
2022	35,545
2023	10,190
2024	6,900
2025	1,725
Total Minimum Operating Lease Payments	\$ 124,290

5. CONTINGENT LIABILITIES: On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant impact on the global economy. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.