

KWAX-FM RADIO OF UNIVERSITY OF OREGON

AUDIT REPORT
Year Ended June 30, 2021



TABLE OF CONTENTS

Independent Auditor's Report	1 to 2
Management's Discussion and Analysis	3 to 6
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Statement of Cash Flows	10
Notes to Financial Statements	12 to 13

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021, 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 29, 2021

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 the University of Oregon (UO) for the fiscal years ended June 30, 2021, 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 components:

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,		
	2021	2020	2019
ASSETS			
Cash On Hand	\$ 136,026	\$127,544	\$ 13,125
Accounts Receivable	126,587	1,304	-
Prepaid Subscriptions & Memberships	2,433	-	-
Interest in Quasi-Endowment	1,335,749	105,517	5,778
Capital Assets, Net of Accumulated Depreciation	2,561	5,247	12,029
Total Assets	1,603,356	239,612	30,932
LIABILITIES			
Invoices Payable	23,641	18,614	2,902
Total Liabilities	23,641	18,614	2,902
NET POSITION			
Invested in Capital Assets	2,561	5,247	12,029
Unrestricted	1,577,154	215,751	16,001
Total Net Position	1,579,715	220,998	28,030
Total Liabilities and Net Position	\$ 1,603,356	\$ 239,612	\$ 30,932

Comparison of Fiscal Year 2021 to Fiscal Year 2020

At June 30, 2021, KWAX's current assets of \$265,046 were sufficient to cover current liabilities of \$23,641. This represents a current ratio of 11.21. Current assets consist of cash and cash equivalents, accounts receivable and prepaid subscriptions & 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 \$127,544 in fiscal year 2020 to \$136,026 in fiscal year 2021, an increase of \$8,482, or 7 percent primarily due to emergency stabilization funds for public media included in the American Rescue Plan Act Stabilization Grants. Capital assets, net of accumulated depreciation, decreased by \$2,686 from fiscal year 2020 to fiscal year 2021, a 51 percent decrease, due to depreciation. Invoices payable increased from \$18,614 in fiscal year 2020 to \$23,614 in fiscal year 2021, an increase of \$5,027, or 27 percent. Within net position, the "invested in capital assets" amount of \$2,561 represents the total original cost of all of KWAX's equipment less total accumulated depreciation on these assets. This amount was \$5,247 in fiscal year 2020, a decrease of \$2,686, or 51 percent between years. Unrestricted net position increased from \$215,751 in fiscal year 2020 to \$1,577,154 in fiscal year 2021, an increase of \$1,361,403, or 631 percent, primarily because we received one legacy gift from a donor's estate.

Comparison of Fiscal Year 2020 to Fiscal Year 2019

At June 30, 2020, KWAX's current assets of \$128,848 were sufficient to cover current liabilities of \$18,614. This represents a current ratio of 6.92. 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.

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,		
	2021	2020	2019
Operating Revenues	\$ 411,753	\$ 286,979	\$ 104,404
Operating Expenses	568,894	548,115	589,536
Operating Loss	(157,141)	(261,136)	(485,132)
Nonoperating Revenues	1,515,858	454,104	487,106
Change in Net Position	1,358,717	192,968	1,974
Beginning Balance	220,998	28,030	26,056
Net Position - End of Year	\$ 1,579,715	\$ 220,998	\$ 28,030

Comparison of Fiscal Year 2021 to Fiscal Year 2020

Revenues

Total operating revenues, which are comprised of underwriting, and grants and contracts, for KWAX increased from \$286,979 in fiscal year 2020 to \$411,753 in 2021 an increase of \$124,774, or 43 percent. Primarily due to American Rescue Plan Act emergency stabilization funds.

Nonoperating revenues for fiscal year 2021 totaled \$1,515,858, compared to \$454,104 in 2020, an increase of \$1,061,754, or 234 percent. The largest component of nonoperating revenue is investment activity, which increased from \$99,964 in 2020 to \$1,230,469 in 2021, an increase of \$1,130,505, or 1131 percent, primarily because we received one legacy gift from a donor’s estate. As a listener-supported service of the University of Oregon, KWAX relies heavily on gifts from the public to maintain their classical music format.

Support from the University of Oregon Foundation decreased from \$309,775 in 2020 to \$265,103 in 2021, a decrease of \$44,672, or 14 percent. State targeted funding increased 3 percent in fiscal year 2021, from \$18,912 in fiscal year 2020 to \$19,396 in fiscal year 2021. KWAX received interfund support of \$949 in 2021.

Expenses

Total operating expenses of KWAX were \$568,894 for the fiscal year 2021, compared to \$548,115 for 2020, an increase of \$20,779, or 4 percent. Programming and production expense decreased 21

percent, from \$58,260 in fiscal year 2020 to \$46,095 in fiscal year 2021. Broadcasting expense increased from \$110,436 in 2020 to \$141,971 in fiscal year 2021, an increase of \$31,535, or 29 percent. Management and general expenses totaled \$375,512 in fiscal year 2021 compared to \$366,335 in 2020, an increase of \$9,177, or 3 percent. Fundraising and membership development expense decreased in fiscal year 2021 to \$2,630, from \$6,263 in fiscal year 2020, a decrease of \$3,633, or 58 percent. Depreciation expense decreased by \$4,096, or 60 percent in fiscal year 2021, compared to fiscal year 2020.

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 their 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.

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
Year Ended June 30, 2021

	June 30,	
	2021	2020
ASSETS		
Cash On Hand	\$ 136,026	\$127,544
Accounts Receivable	126,587	1,304
Prepaid Subscriptions & Memberships	2,433	-
Interest in Quasi-Endowment	1,335,749	105,517
Capital Assets, Net of Accumulated Depreciation	2,561	5,247
Total Assets	1,603,356	239,612
LIABILITIES		
Invoices Payable	23,641	18,614
Total Liabilities	23,641	18,614
NET POSITION		
Invested in Capital Assets	2,561	5,247
Unrestricted	1,577,154	215,751
Total Net Position	1,579,715	220,998
Total Liabilities and Net Position	\$1,603,356	\$239,612

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

KWAX Radio of University of Oregon
Statement of Activities
Year Ended June 30, 2021

	2021	2020
OPERATING REVENUES		
Underwriting	\$ 84,658	\$ 79,170
Grants and Contracts	327,095	207,809
	411,753	286,979
OPERATING EXPENSES		
Program Services		
Programming & Production	46,095	58,260
Broadcasting	141,971	110,436
	188,066	168,696
Supporting Services:		
Management & General	375,512	366,335
Fundraising & Membership Development	2,630	6,263
Interest Expense	-	39
	378,142	372,637
Depreciation	2,686	6,782
	568,894	548,115
Operating Loss	(157,141)	(261,136)
NONOPERATING REVENUES		
Foundation Support	265,044	309,775
Investment Activity	28,789	99,964
Contributions	1,201,680	-
University of Oregon		
State Targeted Funding	19,396	18,912
Interfund Support	949	453
Gain on Sale of Assets, Net	-	25,000
	1,515,858	454,104
Change in Net Position	1,358,717	192,968
NET POSITION		
Beginning Balance	220,998	28,030
Ending Balance	\$ 1,579,715	\$ 220,998

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, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting	\$ 85,962	\$ 77,866
Grants and Contracts	200,508	207,809
Payments to Employees for Compensation and Benefits	(299,323)	(285,654)
Payments to Suppliers	(264,290)	(239,929)
Interest Payments	-	(39)
Net Cash Used by Operating Activities	(277,143)	(239,947)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Foundation Support	265,044	309,775
State Targeted Funding	19,396	18,912
Interfund Support	949	453
Net Cash Provided by Noncapital Financing Activities	285,389	329,140
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	236	226
Net Cash Provided by Investing Activities	236	226
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,482	114,419
CASH AND CASH EQUIVALENTS		
Beginning Balance	127,544	13,125
Ending Balance	\$ 136,026	\$ 127,544
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (157,141)	\$ (261,136)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	2,686	6,782
Changes in Assets and Liabilities:		
Accounts Receivable	(125,282)	(1,304)
Prepaid Expenses	(2,433)	-
Invoices Payable	5,027	15,711
NET CASH USED BY OPERATING ACTIVITIES	\$ (277,143)	\$ (239,947)

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements
Year Ended June 30, 2021 and 2020

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. INTEREST IN QUASI-ENDOWMENT: Funds received and held by the Foundation for purposes of supporting the activities of KWAX went up in FY21 due to a large one-time contribution from a donor's estate.

4. CAPITAL ASSETS:

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

Capital Assets	Balance June 30, 2019	Additions	Retirements and Adjustments	Balance June 30, 2020	Additions	Balance June 30, 2021
Equipment	\$ 266,600	\$ -	\$ (21,214)	\$ 245,386	\$ -	\$ 245,386
Less Accumulated Depreciation	(254,572)	(6,782)	21,214	(240,139)	(2,686)	(242,825)
Total Capital Assets, Net	\$ 12,028	\$ (6,782)	\$ -	\$ 5,247	\$ (2,686)	\$ 2,561

5. OPERATING LEASES: KWAX is obligated under operating leases for tower facilities and paid \$107,235 in rent during the 2021 fiscal year. The following is a schedule of estimated future minimum rental payments:

For the year ending June 30,	
2022	\$ 67,832
2023	10,190
2024	6,900
2025	1,725
Total Minimum Operating Lease Payments	<u>\$ 86,647</u>

6. CONTINGENT LIABILITIES: The World Health Organization declared the novel coronavirus pandemic in March of 2020. The pandemic is an ever-changing situation; as a result, it is difficult to predict how the restrictions will impact financial markets and the global economy. Therefore, we are unable to estimate any future financial implications.