

KWGS and KWTU – The University of Tulsa

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015



KWGS and KWTU – The University of Tulsa
June 30, 2016 and 2015

Contents

Independent Auditor’s Report 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Cash Flows 5
Notes to Financial Statements 6

Independent Auditor's Report

Board of Trustees
The University of Tulsa
Tulsa, Oklahoma

We have audited the accompanying financial statements of KWGS and KWTU – The University of Tulsa (the Stations), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stations as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2015 financial statements, before they were restated for the matters discussed in *Note 2*, were audited by other auditors and their report thereon, dated October 13, 2015, expressed an unmodified opinion. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in *Note 1*, the accompanying financial statements of the Stations are intended to present the financial position and changes in net assets and cash flows of only that portion of activities that is attributable to the transactions of the Stations. They do not purport to, and do not, present fairly the financial position of The University of Tulsa as of June 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

BKD, LLP

Tulsa, Oklahoma
December 20, 2016

KWGS and KWTU – The University of Tulsa
Statements of Financial Position
June 30, 2016 and 2015

Assets

	2016	2015 (Restated – Note 2)
Assets		
Cash and cash equivalents	\$ 600,544	\$ 669,435
Prepaid programming expenses	88,170	95,328
Furniture and equipment, net of accumulated depreciation of \$825,218 and \$828,551 for 2016 and 2015, respectively	94,068	116,214
Other assets	10,754	11,167
Total assets	\$ 793,536	\$ 892,144

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 89,332	\$ 83,756
Net Assets		
Unrestricted	681,576	782,375
Temporarily restricted	12,508	16,518
Permanently restricted	10,120	9,495
Total net assets	704,204	808,388
Total liabilities and net assets	\$ 793,536	\$ 892,144

KWGS and KWTU – The University of Tulsa
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
University support				
General appropriation	\$ 257,008	\$ -	\$ -	\$ 257,008
Indirect administrative services	145,406	-	-	145,406
Subscriptions and contributions	947,572	-	-	947,572
Community service and other grants	-	140,169	-	140,169
In-kind contributions	100,336	-	-	100,336
Other	361	188	-	549
	<u>1,450,683</u>	<u>140,357</u>	<u>-</u>	<u>1,591,040</u>
Total revenue	1,450,683	140,357	-	1,591,040
Net assets released from restrictions	<u>143,329</u>	<u>(143,329)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,594,012</u>	<u>(2,972)</u>	<u>-</u>	<u>1,591,040</u>
Expenses				
Program services				
Programming and production	1,037,816	-	-	1,037,816
Broadcasting	234,430	-	-	234,430
Program information	33,278	-	-	33,278
	<u>1,305,524</u>	<u>-</u>	<u>-</u>	<u>1,305,524</u>
Total program services	1,305,524	-	-	1,305,524
Support services				
Fundraising	132,077	-	-	132,077
Management and general	257,210	-	-	257,210
	<u>1,694,811</u>	<u>-</u>	<u>-</u>	<u>1,694,811</u>
Total expenses	1,694,811	-	-	1,694,811
Change in Net Assets from Operating Activities	<u>(100,799)</u>	<u>(2,972)</u>	<u>-</u>	<u>(103,771)</u>
Nonoperating Activities				
Net endowment losses in excess of income designated for operations	-	(1,038)	-	(1,038)
Gifts for endowments	-	-	625	625
	<u>-</u>	<u>(1,038)</u>	<u>625</u>	<u>(413)</u>
Total nonoperating activities	-	(1,038)	625	(413)
Increase (Decrease) in Net Assets	(100,799)	(4,010)	625	(104,184)
Net Assets, Beginning of Year, as Restated	<u>782,375</u>	<u>16,518</u>	<u>9,495</u>	<u>808,388</u>
Net Assets, End of Year	<u>\$ 681,576</u>	<u>\$ 12,508</u>	<u>\$ 10,120</u>	<u>\$ 704,204</u>

See Notes to Financial Statements

	2015 (Restated – Note 2)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
University support				
General appropriation	\$ 306,491	\$ -	\$ -	\$ 306,491
Indirect administrative services	147,957	-	-	147,957
Subscriptions and contributions	926,050	471	-	926,521
Community service and other grants	-	147,394	-	147,394
In-kind contributions	101,336	-	-	101,336
Other	425	-	-	425
	<u>1,482,259</u>	<u>147,865</u>	<u>-</u>	<u>1,630,124</u>
Total revenue	1,482,259	147,865	-	1,630,124
Net assets released from restrictions	<u>185,537</u>	<u>(185,537)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,667,796</u>	<u>(37,672)</u>	<u>-</u>	<u>1,630,124</u>
Expenses				
Program services				
Programming and production	998,156	-	-	998,156
Broadcasting	257,214	-	-	257,214
Program information	39,818	-	-	39,818
	<u>1,295,188</u>	<u>-</u>	<u>-</u>	<u>1,295,188</u>
Total program services	1,295,188	-	-	1,295,188
Support services				
Fundraising	150,699	-	-	150,699
Management and general	276,518	-	-	276,518
	<u>1,722,405</u>	<u>-</u>	<u>-</u>	<u>1,722,405</u>
Total expenses	1,722,405	-	-	1,722,405
Change in Net Assets from Operating Activities	<u>(54,609)</u>	<u>(37,672)</u>	<u>-</u>	<u>(92,281)</u>
Nonoperating Activities				
Net endowment gains in excess of income designated for operations	293	-	-	293
Gifts for endowments	-	-	1,500	1,500
	<u>293</u>	<u>-</u>	<u>1,500</u>	<u>1,793</u>
Total nonoperating activities	293	-	1,500	1,793
Increase (Decrease) in Net Assets	<u>(54,316)</u>	<u>(37,672)</u>	<u>1,500</u>	<u>(90,488)</u>
Net Assets, Beginning of Year, as Previously Reported	813,946	76,935	7,995	898,876
Adjustment applicable to prior years	<u>22,745</u>	<u>(22,745)</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year, as Restated	<u>836,691</u>	<u>54,190</u>	<u>7,995</u>	<u>898,876</u>
Net Assets, End of Year, as Restated	<u>\$ 782,375</u>	<u>\$ 16,518</u>	<u>\$ 9,495</u>	<u>\$ 808,388</u>

KWGS and KWTU – The University of Tulsa
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015 (Restated – Note 2)
Operating Activities		
Subscriptions and contributions received	\$ 947,576	\$ 926,521
Community service and other grants received	140,169	197,394
University support received	402,414	454,448
Other income received	549	425
Cash paid to suppliers and employees	<u>(1,536,551)</u>	<u>(1,595,608)</u>
Net cash used in operating activities	<u>(45,843)</u>	<u>(16,820)</u>
Investing Activities		
Investment income	1,038	(293)
Purchase of investments	<u>(625)</u>	<u>(1,500)</u>
Net cash used in investing activities	<u>413</u>	<u>(1,793)</u>
Financing Activities		
Purchase of furniture and equipment	(24,086)	-
Contributions received for endowment	<u>625</u>	<u>1,500</u>
Net cash provided by (used in) financing activities	<u>(23,461)</u>	<u>1,500</u>
Decrease in Cash and Cash Equivalents	(68,891)	(17,113)
Cash and Cash Equivalents, Beginning of Year	<u>669,435</u>	<u>686,548</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 600,544</u></u>	<u><u>\$ 669,435</u></u>
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities		
Decrease in net assets	\$ (104,184)	\$ (90,488)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	45,433	45,529
Loss on disposal of assets	799	-
Contributions received for endowment	(625)	(1,500)
Changes in operating assets and liabilities		
Contributions receivable	-	50,000
Prepaid programming services and other	7,158	(23,481)
Accounts payable and accrued liabilities	<u>5,576</u>	<u>3,120</u>
Net cash used in operating activities	<u><u>\$ (45,843)</u></u>	<u><u>\$ (16,820)</u></u>

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
June 30, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

KWGS and KWTU – The University of Tulsa (the Stations) are radio stations which are operated by The University of Tulsa (the University), a private university located in Tulsa, Oklahoma. The financial activities of the Stations are included in the financial statements of the University. The Stations are northeastern Oklahoma's National Public Radio affiliates and offer students opportunities to experience broadcasting in actual work settings.

Basis of Financial Statements

The accompanying financial statements of the Stations have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. While the Stations are not separate legal entities, the accompanying financial statements of the Stations have been prepared from the separate records maintained by the University. The University provides an annual appropriation to support the direct operating expenses of the Stations, and also provides indirect services for the benefit of the Stations. The accompanying financial statements may not necessarily be indicative of conditions that would have existed and the results of operations if the Stations had been operated as an unaffiliated entity. Portions of certain revenues and expenses represent allocations from the University.

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Unrestricted** – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees of the University.
- **Temporarily Restricted** – Net assets whose use by the Stations is subject to donor-imposed restrictions that can be fulfilled by actions of the Stations or by the passage of time. Temporarily restricted net assets for which donor-imposed restrictions are met are reclassified to unrestricted net assets and reported as net assets released from restrictions in the accompanying statements of activities.
- **Permanently Restricted** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Stations. Generally, the donors of these assets permit the Stations to use all or part of the income earned on related investments for general or specific purposes.

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
June 30, 2016 and 2015

Revenue and Expense Recognition

The Stations receive unconditional promises to give, support from the University, grants and in-kind contributions. Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction. Additionally, KOTV, a Tulsa-area television station, donates tower space to the Stations. The estimated fair value of this in-kind contribution is recorded as revenue and expense in the period received.

Expenses are reported as decreases in unrestricted net assets. The costs of providing the various programs and other activities of the Stations have been summarized on a functional basis in the accompanying statements of activities.

The University provides direct and indirect administrative support to the Stations. Direct support includes salaries, fringe benefits and supplies. Indirect support represents services provided by the University including allocated building space and other administrative services allocated to the Stations based on personnel costs, square footage or another systematic basis.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding nearly 1,400 television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the 2016 CSG General Provisions and Eligibility Criteria as issued on October 1, 2015. In any event, each grant must be expended within two years of the initial grant authorization.

According to the *Communications Act*, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists and licensee status with the Federal Communications Commission.

KWGS and KWTU – The University of Tulsa

Notes to Financial Statements

June 30, 2016 and 2015

The CSGs are reported on the accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

CSG expenses were \$143,329 and \$135,537 for the years ended June 30, 2016 and 2015, respectively, and are reflected in the statement of activities as net assets released from restrictions and recorded as program services: programming and production.

Approximately 12% and 13% of all contribution revenue for the years ended June 30, 2016 and 2015, respectively, were representative of CSG funds expended.

Cash and Cash Equivalents

The Stations consider all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents consisted primarily of certificates of deposit and money market accounts with brokers.

Furniture and Equipment

Furniture and equipment are stated at cost or, if received as a gift, at estimated fair value at the date received less accumulated depreciation. Furniture and equipment purchases in excess of \$5,000 are capitalized. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset (5–10 years).

Income Taxes

The Stations are operated by The University of Tulsa and are not a separate legal entity. The University, including the Stations, is an organization described in Internal Revenue Code Section 501(c)(3) and is exempt from federal and state income taxes under Section 501(a) on income earned from activities related to the exempt purposes of the University. As a result, as long as the University maintains its tax exemption, it will not be subject to income tax.

Concentration

The Stations' cash balance is an allocation of the University's operating accounts, which are held on deposit at various banks. The University has certain concentrations of credit risk with financial institutions in the form of cash and time deposits that exceed Federal Deposit Insurance Corporation insurance limits. Management believes credit risk related to these balances is minimal.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
June 30, 2016 and 2015

Subsequent Events

The Stations' management has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on changes in net assets.

Note 2: Restatements to Prior Years' Financial Statements

During the year ended June 30, 2016, the Stations determined that the classification of net assets had not been properly reported in prior years, as described below:

- \$22,745 – Overstatement of temporarily restricted net assets and understatement of unrestricted net assets applicable to years prior to 2015
- \$59,616 – Understatement of net assets released from restrictions (unrestricted) and understatement of net assets released from restrictions (temporarily restricted) during 2015
- \$79,026 – Understatement of subscriptions and contributions revenue and understatement of fundraising expenses during 2015. The Stations determined that expenses associated with commission charges on business underwriting revenues had been incorrectly presenting the balances at net amounts rather than at gross amounts in the statement of activities

The prior year financial statements have been restated to correct these misstatements; however, these changes did not affect total ending net asset balances as of June 30, 2015. The effects of the restatements associated with the items noted above are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year, as previously reported, June 30, 2015	\$ 813,946	\$ 76,935	\$ 7,995	\$ 898,876
Adjustment to report net assets in proper net asset classification applicable to prior years	<u>22,745</u>	<u>(22,745)</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year, as restated, June 30, 2015	<u>\$ 836,691</u>	<u>\$ 54,190</u>	<u>\$ 7,995</u>	<u>\$ 898,876</u>

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
June 30, 2016 and 2015

	As Restated	As Previously Reported	Effect of Change
Statement of Activities			
Subscriptions and contributions (unrestricted)	\$ 926,050	\$ 847,024	\$ 79,026
Net assets released from restriction (unrestricted)	\$ 185,537	\$ 125,921	\$ 59,616
Total revenues, gains and other support (unrestricted)	\$ 1,667,796	\$ 1,529,154	\$ 138,642
Expenses: Support services: Fundraising (unrestricted)	\$ 150,699	\$ 71,673	\$ 79,026
Total expenses (unrestricted)	\$ 1,722,405	\$ 1,643,379	\$ 79,026
Net assets released from restriction (temporarily restricted)	\$ (185,537)	\$ (125,921)	\$ (59,616)
Subscriptions and contributions (total)	\$ 926,521	\$ 847,495	\$ 79,026
Total revenues, gains and other support (total)	\$ 1,630,124	\$ 1,551,098	\$ 79,026
Expenses: Support services: Fundraising (total)	\$ 150,699	\$ 71,673	\$ 79,026
Total expenses (total)	\$ 1,722,405	\$ 1,643,379	\$ 79,026
Increase (decrease) in net assets (unrestricted)	\$ (54,316)	\$ (113,932)	\$ 59,616
Increase (decrease) in net assets (temporarily restricted)	\$ (37,672)	\$ 21,944	\$ (59,616)
Statement of Cash Flows			
Operating Activities: Subscriptions and contributions received	\$ 926,521	\$ 847,495	\$ 79,026
Operating Activities: Cash paid to suppliers and employees	\$ (1,595,901)	\$ (1,516,875)	\$ (79,026)

Note 3: Retirement Plan

The Stations' employees participate in the University's postretirement benefit plan, which allows employees meeting age and service requirements to receive postretirement benefits in the form of unsecured coverage for themselves and their dependents until they reach the age of 70. The postretirement benefit accrual of \$49,866 and \$46,225 represents an allocation based on Station employees' compensation to total University employees' compensation as of June 30, 2016 and 2015, respectively. The Stations recorded postretirement benefit expense of \$41,632 and \$36,758 for the years ended June 30, 2016 and 2015, respectively.

KWGS and KWTU – The University of Tulsa
Notes to Financial Statements
June 30, 2016 and 2015

Note 4: Commitment and Contingencies

The Stations conduct certain programs pursuant to grants and contracts, which are subject to audit by various outside agencies. Amounts questioned as a result of audits, if any, may result in reimbursements to these agencies. Management believes that amounts questioned, if any, will be immaterial.