

# **KWGS and KWTU – The University of Tulsa**

Independent Auditor's Report and Financial Statements

June 30, 2017 and 2016





**KWGS and KWTU – The University of Tulsa**  
**June 30, 2017 and 2016**

**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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 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 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***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, 2017 and 2016, and the changes in its net assets and its 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  
November 29, 2017

**KWGS and KWTU – The University of Tulsa**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

**Assets**

	<b>2017</b>	<b>2016</b>
Equity in pooled cash	\$ 658,668	\$ 600,544
Contributions receivable	18,168	-
Prepaid programming expenses	77,339	88,170
Furniture and equipment, net of accumulated depreciation of \$589,645 and \$825,218 for 2017 and 2016, respectively	93,416	94,068
Other assets	14,813	10,754
Total assets	\$ 862,404	\$ 793,536

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued liabilities	\$ 82,366	\$ 89,332
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**Net Assets**

Unrestricted	756,990	681,576
Temporarily restricted	9,559	12,508
Permanently restricted	13,489	10,120
Total net assets	780,038	704,204
Total liabilities and net assets	\$ 862,404	\$ 793,536

**KWGS and KWTU – The University of Tulsa**  
**Statements of Activities**  
**Years Ended June 30, 2017 and 2016**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains and Other Support</b>				
University support				
General appropriation	\$ 279,463	\$ -	\$ -	\$ 279,463
Indirect administrative services	147,344	-	-	147,344
Subscriptions and contributions	1,143,523	-	-	1,143,523
Community service and other grants	101,541	35,807	-	137,348
In-kind contributions	100,336	-	-	100,336
Other	596	226	-	822
	<u>1,772,803</u>	<u>36,033</u>	<u>-</u>	<u>1,808,836</u>
Total revenue	1,772,803	36,033	-	1,808,836
Net assets released from restrictions	<u>39,674</u>	<u>(39,674)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,812,477</u>	<u>(3,641)</u>	<u>-</u>	<u>1,808,836</u>
<b>Expenses</b>				
Program services				
Programming and production	1,056,571	-	-	1,056,571
Broadcasting	232,721	-	-	232,721
Program information	36,679	-	-	36,679
	<u>1,325,971</u>	<u>-</u>	<u>-</u>	<u>1,325,971</u>
Total program services	1,325,971	-	-	1,325,971
Support services				
Fundraising	148,126	-	-	148,126
Management and general	262,966	-	-	262,966
	<u>1,737,063</u>	<u>-</u>	<u>-</u>	<u>1,737,063</u>
Total expenses	1,737,063	-	-	1,737,063
<b>Change in Net Assets from Operating Activities</b>	<u>75,414</u>	<u>(3,641)</u>	<u>-</u>	<u>71,773</u>
<b>Nonoperating Activities</b>				
Net endowment gains in excess of income designated for operations	-	692	-	692
Gifts for endowments	-	-	3,369	3,369
	<u>-</u>	<u>-</u>	<u>3,369</u>	<u>3,369</u>
Total nonoperating activities	<u>-</u>	<u>692</u>	<u>3,369</u>	<u>4,061</u>
<b>Increase (Decrease) in Net Assets</b>	75,414	(2,949)	3,369	75,834
<b>Net Assets, Beginning of Year</b>	<u>681,576</u>	<u>12,508</u>	<u>10,120</u>	<u>704,204</u>
<b>Net Assets, End of Year</b>	<u>\$ 756,990</u>	<u>\$ 9,559</u>	<u>\$ 13,489</u>	<u>\$ 780,038</u>

See Notes to Financial Statements

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>				
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	103,823	36,346	-	140,169
In-kind contributions	100,336	-	-	100,336
Other	361	188	-	549
	<u>1,554,506</u>	<u>36,534</u>	<u>-</u>	<u>1,591,040</u>
Total revenue				
	1,554,506	36,534	-	1,591,040
Net assets released from restrictions	<u>39,506</u>	<u>(39,506)</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>
<b>Expenses</b>				
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
<b>Change in Net Assets from Operating Activities</b>	<u>(100,799)</u>	<u>(2,972)</u>	<u>-</u>	<u>(103,771)</u>
<b>Nonoperating Activities</b>				
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)
<b>Increase (Decrease) in Net Assets</b>	(100,799)	(4,010)	625	(104,184)
<b>Net Assets, Beginning of Year</b>	<u>782,375</u>	<u>16,518</u>	<u>9,495</u>	<u>808,388</u>
<b>Net Assets, End of Year</b>	<u>\$ 681,576</u>	<u>\$ 12,508</u>	<u>\$ 10,120</u>	<u>\$ 704,204</u>



**KWGS and KWTU – The University of Tulsa**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Subscriptions and contributions received	\$ 1,125,355	\$ 947,576
Community service and other grants received	137,348	140,169
University support received	426,844	402,414
Other income received	822	549
Cash paid to suppliers and employees	<u>(1,604,266)</u>	<u>(1,536,551)</u>
Net cash provided by (used in) operating activities	<u>86,103</u>	<u>(45,843)</u>
<b>Investing Activities</b>		
Investment income	(692)	1,038
Purchase of investments	<u>(3,369)</u>	<u>(625)</u>
Net cash provided by (used in) investing activities	<u>(4,061)</u>	<u>413</u>
<b>Financing Activities</b>		
Purchase of furniture and equipment	(27,287)	(24,086)
Contributions received for endowment	<u>3,369</u>	<u>625</u>
Net cash used in financing activities	<u>(23,918)</u>	<u>(23,461)</u>
<b>Increase (Decrease) in Equity in Pooled Cash</b>	58,124	(68,891)
<b>Equity in Pooled Cash, Beginning of Year</b>	<u>600,544</u>	<u>669,435</u>
<b>Equity in Pooled Cash, End of Year</b>	<u><u>\$ 658,668</u></u>	<u><u>\$ 600,544</u></u>
<b>Reconciliation of Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities</b>		
Increase (decrease) in net assets	\$ 75,834	\$ (104,184)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	27,941	45,433
Loss on disposal of assets	-	799
Contributions received for endowment	(3,369)	(625)
Changes in operating assets and liabilities		
Contributions receivable	(18,168)	-
Prepaid programming services and other	10,831	7,158
Accounts payable and accrued liabilities	<u>(6,966)</u>	<u>5,576</u>
Net cash provided by (used in) operating activities	<u><u>\$ 86,103</u></u>	<u><u>\$ (45,843)</u></u>

**KWGS and KWTU – The University of Tulsa**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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

KWGS and KWTU – The University of Tulsa (the Stations) are radio stations that 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, 2017 and 2016**

#### ***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 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 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 2017 CSG General Provisions and Eligibility Criteria as issued on October 1, 2016.

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, CSGs 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 CSGs 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.

The unrestricted CSGs are reported on the accompanying financial statements as program services: programming and production. The restricted 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.

**KWGS and KWTU – The University of Tulsa**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

CSG expenses were \$137,348 and \$143,329 for the years ended June 30, 2017 and 2016, respectively.

Approximately 14% and 13% of all contribution revenue for the years ended June 30, 2017 and 2016, respectively, was representative of CSG funds expended.

***Equity in Pooled Cash***

The Stations participate in a cash management pool with the University. The University's cash and cash equivalents are deposited in various financial institutions. The Stations' interest in the pool is shown as equity in pooled cash on the accompanying statements of financial position.

***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 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 assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities 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, 2017 and 2016**

***Reclassifications***

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on the change in net assets.

***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

**Note 2: Postretirement Benefit 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 \$43,760 and \$49,866 represents an allocation based on Station employees' compensation to total University employees' compensation as of June 30, 2017 and 2016, respectively, and is included in accounts payable and accrued liabilities on the accompanying statements of financial position. The Stations recorded postretirement benefit expense of \$10,132 and \$37,991 for the years ended June 30, 2017 and 2016, respectively.

**Note 3: 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.